

This Calendar Item No. 36
was approved as Minute Item
No. 36 by the State Lands
Commission by a vote of 2
to 0 at its 7-22-76
meeting.

MINUTE ITEM

7/22/76
WMT

36. APPROVAL OF COST SHARING CONTRACT BETWEEN THE CITY OF LONG BEACH AND THE UNITED STATES ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION TO PROVIDE FOR A PILOT SCALE DEMONSTRATION OF MICELLAR POLYMER WATERFLOODING OIL RECOVERY TECHNIQUES.

During consideration of Calendar Item 36, Mr. W.M. Thompson explained the item. He stated that what they are requesting is that the Commission approve a pilot flood project for enhanced recovery known as the micellar process, which ERDA has been working on. The process involves projection of an effective material that would cause oil and water to mix. He further explained the Federal Government will enter into a cost sharing on this, the total project amounting to \$7 million. He indicated at face value the potential of the pilot project paying out is very remote, but the future potential is large.

Chairman Cory asked if the Commission will lose money on every barrel but make it up on the volume? Mr. Thompson stated that that was true, and went on to explain the details of the process. Mr. Thompson further explained that the Federal Government shares only in the cost and gets no share in the oil. He went on to say that if the project is a complete failure, the staff estimates it will probably end up with a little less than \$1 million in the red; however, the project's potential success is estimated at \$1,300,000.

Commission-alternate McCausland moved that the item be adopted. He stated that, given the status of the crude oil production in the U.S., and the pressing need to further develop secondary and tertiary recovery techniques, it is clearly a worthwhile experimental effort.

Upon motion duly made and carried, Calendar Item 36 attached, was approved as presented by a vote of 2-0.

Attachment: Calendar Item 36 (2 pages)

APPROVAL OF COST SHARING CONTRACT BETWEEN THE CITY OF LONG BEACH AND THE UNITED STATES ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION TO PROVIDE FOR A PILOT SCALE DEMONSTRATION OF MICELLAR-POLYMER WATERFLOODING OIL RECOVERY TECHNIQUES

The City of Long Beach, pursuant to the provisions of Chapter 29/1956, 1st E.S., has requested Commission approval to enter into a cost-sharing Contract E (49-18)-2486 with the Federal Energy Research and Development Administration (ERDA) to conduct a pilot scale demonstration of micellar-polymer water-flooding techniques for enhanced oil recovery, and to develop appropriate economic and technical analyses of such work.

Under the terms of the contract, the City of Long Beach shall provide a suitable site for testing the micellar-polymer water-flood, conduct a test program to determine the most suitable fluids to use in the demonstration project, conduct all work required to prepare the site for the project, conduct the actual demonstration for a sufficient period to determine the effectiveness of the selected technique, and conduct appropriate technical and economic analyses toward furthering the technology being demonstrated and in assessing the viability of the process as an economic means of oil recovery.

The contract provides for the submission of financial, technical and progress reports on a specific schedule. Work progress shall be reported in accordance with, and with reference to, the Program Plan and Milestone Chart prepared by the City of Long Beach in accordance with ERDA standards. Since it is Federal policy to increase the production of oil in the United States, the demonstration project, the techniques used for its accomplishment, and the data results of the project shall be made available to the public. The effective date of the contract is June 30, 1976, and it is expected that the demonstration project will be completed by December 31, 1980.

The total estimated cost of the pilot demonstration is \$7 million. The City and the Federal Government have agreed to share the total estimated cost on a 50/50 basis. The Federal Government's total obligation under the contract is limited to \$1,500,000 and they do not share in any of the oil produced from the project.

The Federal Energy Administration has given approval for upper tier oil prices to be paid for oil produced from the project.

Division review of the pilot project indicates that costs will probably exceed the value of the oil produced even with upper tier price. The Division recommends approval of the contract because it provides a means to lower the monetary risk of conducting a field test on a technological process which ultimately

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may provide a viable economic method to increase the ultimate oil recovery from the Wilmington oil field.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE COST SHARING CONTRACT E(49-18)-2486, BETWEEN THE CITY OF LONG BEACH AND THE UNITED STATES ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION, TO PROVIDE FOR A PILOT SCALE DEMONSTRATION OF MICELLAR-POLYMER WATERFLOODING OIL RECOVERY TECHNIQUES.