

MINUTE ITEM

This Calendar Item No. 43
 was approved as Minute Item
 No. 43 by the State Lands
 Commission by a vote of 3
 to 0 at its 10-29-79
 meeting.

CALENDAR ITEM
 43.

10/79
 Thompson

APPROVAL OF THE SECOND MODIFICATION OF THE
 1979-1980 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET
 LONG BEACH UNIT, WILMINGTON OIL FIELD

Commission approval is requested of the Second Modification of the Plan of Development and Operations and Budget, Long Beach Unit, July 1, 1979 through June 30, 1980. This modification revises the Plan to provide for the drilling of 16 additional wells, including 14 in the Ranger Zone and 2 in the Terminal Zone, the redrilling of 3 additional producing wells and 8 injection wells, and acquiring the drilling equipment necessary to reactivate a drilling tower on Island Grissom, additional drill pipe and an additional vacuum truck. This modification also augments the Budget by \$20,592,000 to provide funds for a level of drilling rig activity almost twice that provided for in the original budget, and for the additional drilling equipment and vacuum truck. The Long Beach Unit revised Budget would be \$103,370,000.

With approval of the First Modification and this modification, the affected Budget Items will be revised as follows: (in thousands of dollars)

	<u>Current Budget</u>	<u>This Modification</u>	<u>Adjusted Budget</u>
Part III			
A. <u>ESTIMATED EXPENDITURES FOR INVESTMENT</u>			
1. <u>DRILLING AND DEVELOPMENT</u>			
a. <u>Development Drilling</u>			
(2) Ranger Zone	3,468	7,050	10,518
(3) Terminal Zone	1,813	850	2,663
2. <u>FIELD AND WELL FACILITIES</u>			
f. <u>Field Equipment</u>			
(2) Drilling Equipment	2,181	2,572	4,753
(4) Automotive Equipment	175	98	273

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B. ESTIMATED EXPENDITURES
FOR EXPENSE

2. OPERATING EXPENSE

a. Wells

Oil Wells

(3) Redrills (Same Zone)	3,085	2,600	5,685
(4) Workovers	1,200	1,200	2,400

Injection Wells

(7) Redrills (Same Zone)	2,505	2,200	4,705
(8) Workovers	800	800	1,600

c. Other Production Expense

(16) Drilling and Workovers Support Expense	2,271	2,080	4,351
(17) Waste Disposal	700	350	1,050

<u>C. ADMINISTRATIVE OVERHEAD</u>	2,865	792	3,657
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The Commission's staff recommends the approval of the Second Modification. The proposed additional drilling, redrilling and workover work with supporting equipment and service will result in the production of additional oil from the Unit and more effective water injection and oil recovery from lower Ranger Zone sands. This is an economically justified plan for the expanded development and operation of the Long Beach Unit.

The recent actions of the federal government as to the phased release of lower tier oil to upper tier, decontrol of "heavy oil" below 16° API, consideration of the raising of the "heavy oil" gravity definition and proposed phased decontrol of upper tier oil are all positive indications of some degree of relief from the oil pricing restrictions of the last 7 years.

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The staff believes its recommendation is consistent with the Commission's policy of returning increased revenue from crude oil price increases into expenditures to increase the oil production from the Long Beach Unit.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE SECOND MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1979, THROUGH JUNE 30, 1980.

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