MINUTE ITEM

This Calendar Item No. 34 was approved as Minute Item No. 34 by the State Lands Commission by a vote of 3 to 0 at its 4/24/86 meeting.

MINUTE ITEM

34

04/24/86
W 17084
Lammers

SEVENTH MODIFICATION OF THE 1985-86 PLAN OF DEVELOPMENT, OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

During consideration of Calendar Item 34, attached, Mr. James Hemphill, Director of Oil Properties, City of Long Beach, appeared briefly to state the City's concurrence with staff's recommendations regarding the approval of the Seventh Modification.

Without objection, the Resolution in Calendar Item 34 was approved as presented by a vote of 3-0.

Attachment: Calendar Item 34.

MINUTE ITEM

This Calendar Item No. 34 was approved as Minute Item No. 34 by the State Lands Commission by a vote of 3 to 0 at its 4/24/86 meeting.

CALENDAR ITEM

34

A 57, 58

S 29

04/24/86
W 17084
Lammers

SEVENTH MODIFICATION OF THE 1985-86
PLAN OF DEVELOPMENT, OPERATIONS AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The City of Long Beach has requested approval of the Seventh Modification of the 1985-86 Plan of Development, Operations and Budget, Long Beach Unit. This proposed Seventh Modification will modify the Plan by reducing activity to allow a decrease of total estimated expenditures of approximately $9,000,000. These proposed changes are a direct response to declining crude oil prices and are designed to optimize unit profitability for the remainder of the fiscal year. No augmentation or fund transfer is proposed by this modification.

The major modification in the Plan is the reduction of operations to two drilling rigs from the first of May through the remainder of the fiscal year. This reduction will reduce direct drilling expenditures and provide additional reductions in drilling infrastructure and support activities. All new well, redrill and remedial well work utilizing drilling rigs will be reviewed to determine if it meets the economic criteria of the then existing oil price. Appropriate additional reduction in rig activity will be made if the Unit oil price drops significantly from the current price, of about $10.45 per barrel for 17.7° crude oil.

All producing wells are under continual review in light of changing crude prices to determine if they will be economic to operate and if future servicing (pump changes) is justifiable when this work becomes necessary. These measures are to assure that all wells pay their way under current economic conditions consistent with good engineering and operating practices, and we expect that there will be no detrimental effect upon the long term recovery of oil as a result of these measures. Uneconomic wells have been shut-in, and additional wells will

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be idled during the next month. As producing wells are shut-in or idled, compensating decreases in the water injection rate will be implemented.

All investment and expense projects are being subjected to the same careful economic review as the Drilling and Development Program. Projects where additional increments can be deferred are also being examined. Necessary projects relating to safety and environmental protection or required for compliance with regulatory requirements will continue.

Specific actions taken to reduce expenditures include:

a. Installation of new well testers on Islands Chaffee and Freeman and the J-3 site has been deferred.

b. No "huff and puff" producer steam stimulation is planned.

c. All but minor purchases of hardware to expand the data processing system have been stopped.

d. An aggressive program has been initiated to reduce warehouse stock inventory and dispose of surplus materials and equipment.

e. Truck, crew boat, and barge schedules have been consolidated and reduced.

f. A comprehensive review of water handling costs has been initiated.

g. Replacement of obsolete electric motors with high efficiency motors to reduce energy costs. Negotiations currently in progress with the utility company offer potential for significant savings in power costs through a rate schedule which provides for some degree of load shedding during emergency conditions.

Staffing requirements are under review in light of current economics and plans. A hiring freeze is in effect, and it is anticipated that THUMS forces will be reduced beginning about mid year, consistent with the reduction in operations. A separation program is being developed for personnel determined to be surplus. Substantial reductions have already been made in the numbers of contract personnel.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT NO SEPARATE ENVIRONMENTAL DOCUMENT IS NECESSARY FOR THIS ACTIVITY BECAUSE IT IS PART OF THE CONTINUING PROJECT ADDRESSED IN THE ENVIRONMENTAL IMPACT REPORT FOR THE LONG BEACH UNIT OIL AND GAS OPERATIONS APPROVED BY THE COMMISSION IN APRIL 1973 AND IS THEREFORE AN ONGOING PROJECT WITHIN THE MEANING OF 14 CAL. ADM. CODE 15007(B).

2. APPROVE THE SEVENTH MODIFICATION OF THE 1985-86 PLAN OF DEVELOPMENT, OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.