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PARTIAL TRANSCRIPT
OF MEETING
OF
STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA
November 30, 1967

RE: LONG BEACH ITEMS

1 MR. SMITH: Item 6 Classification - City of Long
2 Beach. What is this item, Mr. Hortig?

3 MR. HORTIG: Item (a) represents an application on
4 behalf of the current companies of the THUMS corporation
5 operating under the field operating contract from the City
6 of Long Beach for a transfer of assignment of an oil produc-
7 tion payment, under which moneys will be advanced by the
8 Security First National Bank to the field operating contrac-
9 tor, the loan to be repaid from future oil production.

10 In a transaction of this type, by the terms of the
11 contract, it requires approval both by the City of Long Beach
12 and by the State Lands Commission.

13 MR. SMITH: This is Item 6(a)?

14 MR. HORTIG: And it is recommended Item 6(a) be
15 approved.

16 MR. SMITH: Any objection to Item 6(a)?

17 MR. SHEEHAN: No objection.

18 MR. SMITH: Item 6(a) is approved. 6(b)?

19 MR. HORTIG: Item 6(b) is a request for approval of
20 the Eighth Modification of the 1967 Plan of Development and
21 Operations and Budget for the Long Beach Unit, under which
22 the THUMS corporation is proceeding with the development of
23 the field, through drilling and operation. The approval
24 requested is such that the total amount of funds authorized
25 to be expended during 1967 would be reduced by an amount of
26 \$1,492,345.

1 MR. SMITH: What effect does this have on the
2 number of wells being drilled and the income?

3 MR. HORTIG: In inverse order, Mr. Chairman, the
4 number of wells proposed to be drilled as a result of the
5 application for the Eighth Modification is reduced from the
6 number of wells which was estimated could be drilled or would
7 be drilled during 1967 at the time of the original budget
8 approval.

9 Necessarily, then, in any period of time with fewer
10 wells there will be a concurrent reduction in the estimated
11 amount or concurrent reductions from the amounts previously
12 estimated, and reduction in production patently must be
13 reflected ultimately by lower revenue to the State.

14 In addition, there is the difference in the pro-
15 posed Eighth Modification indicating that the unit costs of
16 the remaining wells to be drilled will be greater per well
17 than originally estimated for the 1967 budget; and this, in
18 turn, of necessity would result in an ultimate and comparable
19 reduction in net profits in the future.

20 MR. SHEEHAN: Is there an explanation as to why this
21 has taken place?

22 MR. HORTIG: A combination of circumstances -- the
23 differences in estimates by the field operating contractor
24 based on his experience in the last year, when estimates were
25 reduced at the beginning of the year in view of the prior
26 year's experience.

1 Again, it turned out that the estimates possibly
2 were on the optimistic side from the standpoint of the amount
3 of time that would be required to drill. The operator simply
4 could not conform to his own time estimates for drilling
5 wells nor to the cost estimates for drilling wells.

6 These estimates are furnished by the field operat-
7 ing contractor as his estimate of his productivity and capa-
8 bility at the beginning of the year and prior to the beginning
9 of the year for an operating budget; and we have here the dif-
10 ference between ten months of actual experience in 1967, as
11 against what was estimated in October of 1966 would be the
12 condition.

13 MR. SHEEHAN: Is there anybody here from THUMS
14 who would want to explain this further?

15 MR. LINGLE: I am Harold Lingle, Deputy City
16 Attorney from the City of Long Beach. We do not have the
17 attorney from THUMS here.

18 My understanding, sir, of the reasons why we are
19 drilling fewer wells than was estimated in October is that
20 we have the maximum number of rigs that we can and that we are
21 drilling all the wells that we can get on those islands. We
22 couldn't get any more there.

23 The per-well cost has gone up some because we are
24 after deeper production. We are after a deeper and more
25 productive zone. So the actual drilling cost is somewhat
26 higher, but we are after the most prolific pay we can get

1 right now.

2 The October estimate last year was affected by
3 strikes and some other details which disrupted our estimate
4 of income. However, the production estimates made along in
5 June of this year were almost on the nose. Since we got rid
6 of the strike problem, since we have been able to drill and
7 know a little bit more about the field than we did before,
8 the estimates, the estimates as to where we should drill and
9 where the income would be best seems to be all right.

10 MR. SHEEHAN: What does this do to your target date
11 so far as completion of the field, completion of the number
12 of wells that are going to be dug?

13 MR. LINGLE: Well, you know, it isn't like building
14 a house. If we had known in October where the best place was
15 to drill the wells, it would have been fine. Maybe we
16 wouldn't have drilled the wells at that point until we got
17 more information. So I can't tell you that, sir. If we were
18 out to build a house, fine -- because we could lay out all the
19 blueprints. If we knew everything there was to know about
20 the substructure of the earth, I would hazard an answer.

21 We don't think it is going to disrupt anything
22 seriously.

23 MR. SMITH: What is the recommendation of the staff?

24 MR. HORTIG: Well, the recommendation of the staff
25 is that, inasmuch as it is absolutely necessary for the continu-
26 ation of the Plan of Development that the Eighth Modification

1 which has been requested be approved, it be approved.

2 MR. SHEEHAN: I'll so move at this time.

3 MR. SMITH: There being no objection, Item 6(b)
4 is approved.

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