

MINUTE ITEM

27. UNIT AGREEMENT, UNIT OPERATING AGREEMENT AND RELATED AGREEMENTS, FAULT BLOCK V, RANGER ZONE, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,191.

Mr. Ernest Sanchez, Special Counsel for the State, asked that the record be clear that Commission approval of the recommendations in Items G, H, and I, pages 11 and 12 of Calendar Item 25, should be made pursuant to Section 6879 of the Public Resources Code as well as to Sections 7058 and 7051. He added that to comply as closely as possible with the literal requirements of these statutes, the Commission should recognize that these documents contain a finding by the City of Long Beach that the contract amendments are necessary in order to increase the amount of oil and gas recoverable or prevent unreasonable waste, or possibly ameliorate subsidence; and that these documents, as well as the previous documents, should contain a provision that any impairment of the public trust under which the lands are held is prohibited.

The Executive Officer stated that approval of the supplemental documents herein involved would not affect the current boundary litigation since both the City and State have agreed, in a signed stipulation, not to urge these approvals in this litigation.

After consideration of the advice of Special Counsel, and UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE COMMISSION:

I.

ITEM A:

1. FINDS:

- a. THAT THE "UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, FAULT BLOCK V RANGER ZONE UNIT, WILMINGTON OIL FIELD", PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;
  - b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENTS IS IN THE PUBLIC INTEREST.
2. APPROVES THE AFORESAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM B:

1. FINDS:

- a. THAT "COOPERATIVE AGREEMENT FOR WATER-INJECTION OPERATIONS (FAULT BLOCK V RANGER ZONE) BETWEEN THE

CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS, RICHFIELD OIL CORPORATION, AND THE BOARD OF HARBOR COMMISSIONERS AND SOCONY MOBIL OIL COMPANY, INC." PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;

- b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVES THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM C:

1. FINDS:

- a. THAT THE "COOPERATIVE AGREEMENT FOR WATER-INJECTION OPERATIONS (FAULT BLOCK V RANGER ZONE UNIT AND PARCEL 'L')", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AND JOINTLY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND SOCONY MOBIL OIL COMPANY, INC., AS UNIT OPERATORS, PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH SAID GRANTED LANDS ARE SUBJECT IS PROHIBITED;
  - b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVES THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM D:

1. FINDS:

- a. THAT THE "COOPERATIVE AGREEMENT FOR WATER-INJECTION OPERATIONS (EAST BOUNDARY, MIDDLE SECTION, FAULT BLOCK V RANGER ZONE UNIT)", BETWEEN THE STANDARD OIL COMPANY OF CALIFORNIA (REFERRED TO AS STANDAFD), AND THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND SOCONY MOBIL OIL COMPANY, INC. (JOINTLY REFERRED TO AS "UNIT OPERATORS"), PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;
  - b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVES THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

Rescinded by minute Feb. 13  
Pg 19944, injecting of 2/25/65

ITEM E:

1. FINDS:

- a. THAT THE "RELEASE AGREEMENTS, FAULT BLOCK V TAR ZONE, WILMINGTON OIL FIELD", BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS AND SOCONY MOBIL OIL COMPANY, INC., HUMBLE OIL & REFINING COMPANY, THE SUPERIOR OIL COMPANY, SIGNAL OIL AND GAS COMPANY, STANDARD OIL COMPANY OF CALIFORNIA, AND FRANWIN OIL AND GAS COMPANY, PROVIDE THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;
  - b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVES THE AFORESAID RELEASE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM F:

1. FINDS THAT ENTERING INTO THE PERFORMANCE OF THE "FAULT BLOCK V GAS-GATHERING AGREEMENT", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, FOR AND ON BEHALF OF THE CITY OF LONG BEACH, AND ON ITS OWN BEHALF IN ITS OFFICIAL CAPACITY, AND SOCONY MOBIL OIL COMPANY, INC., EACH ACTING IN ITS CAPACITY AS A UNIT OPERATOR AND ON BEHALF OF THE WORKING-INTEREST-OWNERS UNDER UNIT AGREEMENT, FAULT BLOCK V TARBUR ZONE UNIT, AND LOMITA GASOLINE COMPANY, AND LOMITA-SIGNAL-WILMINGTON ASSOCIATES, IS IN THE PUBLIC INTEREST;
2. APPROVES THE AFORESAID GAS-GATHERING AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM G:

PURSUANT TO CHAPTER 1551, STATUTES OF 1959, AND TO SECTIONS 6879, 7051 AND 7058 OF THE PUBLIC RESOURCES CODE,

1. FINDS THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST;
2. APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF HUMBLE AMENDED DRILLING AND OPERATING CONTRACT (SUPPLEMENT TO AMENDMENT OF 1961) BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND HUMBLE OIL AND REFINING COMPANY;
3. RECOGNIZES THAT THE DOCUMENTS REFERRED TO IN THIS ITEM CONTAIN A FINDING BY THE CITY OF LONG BEACH THAT THE AMENDMENTS ARE NECESSARY IN ORDER TO INCREASE THE AMOUNT OF OIL AND GAS RECOVERABLE, OR TO PREVENT UNREASONABLE WASTE, OR POSSIBLY TO AMELIORATE SUBSIDENCE;

4. RECOGNIZES THAT SAID DOCUMENTS CONTAIN A PROVISION THAT ANY IMPAIRMENT OF THE PUBLIC TRUST UNDER WHICH THE LANDS ARE HELD IS PROHIBITED.

ITEM H:

PURSUANT TO CHAPTER 1551, STATUTES OF 1959, AND TO SECTIONS 6879, 7051 AND 7058 OF THE PUBLIC RESOURCES CODE,

1. FINDS THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST;
2. APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT DATED JANUARY 10, 1939 (SUPPLEMENT TO AMENDMENT OF 1961), BETWEEN THE CITY OF LONG BEACH AND THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTIES, SIGNAL OIL AND GAS COMPANY, AS SECOND PARTY, AND LONG BEACH DOCK AND TERMINAL COMPANY, AS THIRD PARTY;
3. RECOGNIZES THAT THE DOCUMENTS REFERRED TO IN THIS ITEM CONTAIN A FINDING BY THE CITY OF LONG BEACH THAT THE AMENDMENTS ARE NECESSARY IN ORDER TO INCREASE THE AMOUNT OF OIL AND GAS RECOVERABLE, OR TO PREVENT UNREASONABLE WASTE, OR POSSIBLY TO AMELIORATE SUBSIDENCE;
4. RECOGNIZES THAT SAID DOCUMENTS CONTAIN A PROVISION THAT ANY IMPAIRMENT OF THE PUBLIC TRUST UNDER WHICH THE LANDS ARE HELD IS PROHIBITED.

ITEM I:

PURSUANT TO CHAPTER 1551, STATUTES OF 1959, AND TO SECTIONS 6879, 7051 AND 7058 OF THE PUBLIC RESOURCES CODE,

1. FINDS THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST;
2. APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE TERMO COMPANY AMENDED DRILLING AND OPERATING CONTRACT (SUPPLEMENT TO AMENDMENT OF 1961) BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE TERMO COMPANY, A CALIFORNIA CORPORATION, SUCCESSOR IN INTEREST OF MARGARET H. OAKES, DECEASED, FRENDE W. COMBS, ELDREDGE E. COMBS, ERNEST F. COMBS, AND TRUST ESTATE OF E. E. COMBS, DECEASED;
3. RECOGNIZES THAT THE DOCUMENTS REFERRED TO IN THIS ITEM CONTAIN A FINDING BY THE CITY OF LONG BEACH THAT THE AMENDMENTS ARE NECESSARY IN ORDER TO INCREASE THE AMOUNT OF OIL AND GAS RECOVERABLE, OR TO PREVENT UNREASONABLE WASTE, OR POSSIBLY TO AMELIORATE SUBSIDENCE;

4. RECOGNIZES THAT SAID DOCUMENTS CONTAIN A PROVISION THAT ANY IMPAIRMENT OF THE PUBLIC TRUST UNDER WHICH THE LANDS ARE HELD IS PROHIBITED.

THESE ITEMS HAVE HERETOFORE BEEN APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE CITY COUNCIL OF THE CITY OF LONG BEACH.

- II. AUTHORIZES THE EXECUTIVE OFFICER TO EXECUTE DOCUMENTS REQUIRED TO EFFECTUATE THE AFORESAID APPROVALS.

HOWEVER, NOTHING IN THE ABOVE APPROVALS BY THE COMMISSION IS INTENDED TO RECOGNIZE OR AFFECT NOR IS TO BE CONSTRUED TO RECOGNIZE OR AFFECT TITLE TO OR BOUNDARIES OF LANDS IN THE FAULT BLOCK V RANGER ZONE UNIT AREA.

Attachment

Supplemental Calendar Item 25 (12 pages)

SUPPLEMENTAL CALENDAR ITEM

25.

UNIT AGREEMENT, UNIT OPERATING AGREEMENT AND RELATED AGREEMENTS, FAULT BLOCK V, RANGER ZONE, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,191.

The City of Long Beach has submitted for approval by the State Lands Commission, in accordance with applicable provisions of law, the following agreements relative to unitizing oil, gas, and other hydrocarbons produced from the Ranger Zone of Fault Block V.

- A. Unit Agreement and Unit Operating Agreement, with accompanying Exhibits, Fault Block V Ranger Zone, Wilmington Oil Field. (Area shown on Exhibit "A")
- B. Cooperative Agreement for Water Injection Operations (Fault Block V Ranger Zone), between the City of Long Beach and its Board of Harbor Commissioners, Richfield Oil Corporation, and the Board of Harbor Commissioners and Socony Mobil Oil Company, Inc. (jointly referred to as "Unit Operators"). (Area shown on Exhibit "B")
- C. Cooperative Agreement for Water Injection Operations (Fault Block V Ranger Zone Unit and Parcel "L"), between the Board of Harbor Commissioners of the City of Long Beach (referred to as "City") and the Board of Harbor Commissioners of the City of Long Beach and Socony Mobil Oil Company, Inc. (jointly referred to as "Unit Operators"). (Area shown on Exhibit "B")
- D. Cooperative Agreement for Water Injection Operations (East Boundary, Middle Section, Fault Block V Ranger Zone Unit), between the Standard Oil Company of California, and the Board of Harbor Commissioners of the City of Long Beach and the Socony Mobil Oil Company, Inc. (jointly referred to as "Unit Operators"). (Area shown on Exhibit "B")
- E. Release Agreements, Fault Block V Tar Zone, Wilmington Oil Field, between the City of Long Beach and its Board of Harbor Commissioners (referred to collectively as "City") and Socony Mobil Oil Company, Inc., Humble Oil and Refining Company, The Superior Oil Company, Signal Oil and Gas Company, Standard Oil Company of California, and Franwin Oil and Gas Company (referred to collectively as "the oil companies"). (Area shown on Exhibit "C")
- F. Fault Block V Gas-Gathering Agreement, between the Board of Harbor Commissioners of the City of Long Beach, for and on behalf of the City of Long Beach, and Socony Mobil Oil Company, Inc., each acting in its capacity as a Unit Operator and on behalf of the Working Interest Owners under Unit Agreement, Fault Block V Ranger Zone Unit (referred to as "Unit Operators"), and Lomita Gasoline Company, and Lomita-Signal-Wilmington Associates (referred to as "Processors").

SUPPLEMENTAL CALENDAR ITEM 25. (CONTD.)

- G. Humble Amended Drilling and Operating Contract (Supplement to Amendment of 1961), between the Board of Harbor Commissioners of the City of Long Beach and Humble Oil and Refining Company. (Area shown on Exhibit "D")
- H. Agreement Amending Drilling and Operating Contract Dated January 10, 1939 (Supplement to Amendment of 1961), between the City of Long Beach and its Board of Harbor Commissioners, as first parties; Signal Oil and Gas Company, as second party; and Long Beach Dock and Terminal Company, as third party. (Area shown on Exhibit "D")
- I. The Termo Company Amended Drilling and Operating Contract (Supplement to Amendment of 1961), between The Termo Company, et al, and the Board of Harbor Commissioners of the City of Long Beach. (Area shown on Exhibit "D")

DISCUSSION OF ITEM "A"

The Unit Agreement and Unit Operating Agreement will effectuate the unitization of oil, gas and other hydrocarbons produced from the Ranger Zone of Fault Block V, Wilmington Oil Field. As set forth in the Unit Agreement, the purpose is to achieve the following:

1. To initiate and conduct repressuring operations in the unitized formations in an effort to arrest or ameliorate subsidence in the unit area in conformity with Article 5.5 of Chapter 1, Division 3, of the Public Resources Code of the State of California;
2. To promote the conservation of oil, gas, and other hydrocarbon substances in the unitized formations; and
3. To increase the maximum economic quantity of oil, gas, and other hydrocarbon substances ultimately recoverable from the unitized formations through repressuring operations.

The terms of this agreement, the method of allocating unit operating and injection costs, and the method of allocating hydrocarbon substances produced are basically the same as specified in the Fault Block II and Fault Block III agreements approved by the Commission on February 18, 1950 (Minute Item 6, page 5617 and Minute Item 7, page 5622), and in the Fault Block IV agreement approved by the Commission on August 28, 1961 (Minute Item 22, page 7203).

The working-interest-owners manage and control the unit operations and exercise individual voting powers equal to their individual interest participation. All production will be allocated to the working-interest-owners initially in accordance with their primary equities and later their secondary equities. All primary oil will be produced prior to the commencement of the secondary period. It is anticipated that the secondary period will begin by mid-1965.

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If unitization of Fault Block V takes place on April 1, 1964, the primary equity participation of the granted tidelands (Segment I) will be 70.53% and the participation of the uplands portion (Segment II, Area A) will be 29.47%. Secondary equity participation of the granted tidelands will be 63.8%.

The extreme northern flank of Fault Block V has not been fully explored or developed for oil production; therefore, initially only that portion of the fault block southerly of Anaheim Street will be unitized. Provisions are incorporated in the agreement to permit the northern areas ("B" and "C" of Segment II) to join the unit when they are developed sufficiently for equity participation determination. The cost of the necessary development work will be borne by the operators in areas "B" and "C", not by the working-interest-owners in the initially unitized area. When area "C" satisfies its development requirements and joins the unit, it will be necessary for the unit to enter into an agreement providing for cooperative water-injection operations and mutual release of liability with the operator of the property adjacent to the southern boundary of area "C".

The State Oil and Gas Supervisor, pursuant to Sections 3319 and 3336 of the Public Resources Code, established limits of a subsidence area and adopted a repressuring plan as set forth in "Findings of Fact and Orders" dated February 26, 1959. This proposed Fault Block V Unit is within the established subsidence area, and, in accordance with Section 3320.1 of the Public Resources Code, the Supervisor may approve compatible repressuring operations in the area covered by a unit. The Supervisor has reviewed the proposed unitization documents and has indicated he will approve the agreements.

These unitization agreements shall become effective at 7 a.m. on the first day of the calendar month next following the date on which the essential tracts become eligible unless the requirement that all essential tracts become eligible is waived in writing by the working-interest-owners of six major tracts. (Numbers: 1, City; 59, Mobil; 76, Superior; 92, Humble; and 103, Richfield.) The term of the agreements shall be for 20 years and so long thereafter as oil and gas can be produced from the unitized formation in commercially paying quantities.

The proposed technical and administrative procedures of the unitization agreements appear to be reasonable and equitable; however, the initial monetary result of this unitization will be a reduction in City-State tideland oil revenue. Presently, over 92% of the oil from the Ranger Zone of Fault Block V is being produced on the tidelands. The primary equity participation of the tidelands (Segment I) will be less than 71%. This means that the net revenue from approximately 65,000 barrels per month of oil produced on the tidelands will be credited to unit upland accounts. This condition occurs because water injection has been in progress in the tidelands since 1961 increasing the tideland production rate far above that for the uplands where injection has not been initiated. The direction

SUPPLEMENTAL CALENDAR ITEM 25. (CONTD.)

of this monetary flow should reverse by mid-1966, at which time the upland portion of the unit is expected to be producing more than its share of oil. Ultimately, nearly \$15,000,000 of additional income from the tidelands portion of Fault Block V (Segment I) may be expected as the result of this proposed unitization when compared to the income anticipated from continuation of the present method of operation. (Exhibits "E" and "F") It is estimated that this unitization will result in a more effective long-term economic oil recovery from both the uplands and the tidelands.

DISCUSSION OF ITEM "B"

The Ranger Zone Fault Block V Unit Operators, the City and Richfield Oil Corporation, propose to conduct water-injection operations upon a cooperative basis along the common boundary between the Fault Block V Ranger Zone Unit and Richfield's parcel "A".

The purpose of this cooperative agreement is to permit both operators to conduct their respective water-injection operations and to balance reservoir pressures along the common boundary in order to prevent the migration of oil, gas, or water.

Under the terms of this proposed agreement, a restricted area will be established extending 400 feet on either side of the common boundary. The operators on each side of the boundary shall, at their own expense, convert three wells for water injection within the restricted area. No other wells shall be drilled or converted for production or water injection within the restricted area without mutual consent.

The Unit releases the City and Richfield from all claims of damage resulting from the injection of water into the Ranger Zone from wells bottomed under parcel "A"; and, in return, the City and Richfield release the Unit from all claim of damage resulting from the injection of water into the unitized portion of the Ranger Zone.

It is anticipated that this cooperative agreement will result in increased reservoir pressures mutually benefiting both parties, and that it will increase the maximum ultimate amount of economically recoverable oil.

This agreement shall become effective as of the date of execution by the last party, and shall continue in force so long as the Unit Agreement for Fault Block V is in effect.

DISCUSSION OF ITEM "C"

Development of that portion of the Long Beach Harbor tidelands seaward of the presently developed L.B.O.D. Co. consolidated parcels will take place under the new Drilling and Operating Contract which becomes effective March 21, 1964. The award of this new contract was approved by

SUPPLEMENTAL CALENDAR ITEM 25. (CONTD.)

the State Lands Commission at its meeting of December 20, 1963 (Calendar Item 28, pages 56 and 57).

Economic studies have indicated it would be inadvisable to unitize this undeveloped area, referred to as parcel "L", with the proposed Fault Block V Ranger Zone Unit. The City desires to proceed with water-injection operations in the Ranger Zone along the common boundary between the new undeveloped area and the Fault Block V Unit on a cooperative basis in order to balance reservoir pressures, prevent the migration of oil, gas, or water, and to increase the maximum ultimate amount of economically recoverable oil.

Under this proposed agreement, a restricted area will be established extending 400 feet on either side of the common boundary. Each party shall, at its own expense, drill or convert such injection wells as are required, and provide its own injection facilities; and neither party shall have the right to commence or discontinue or make changes in the water-injection operations without the consent of the other. No unitization or pooling of production is established by this agreement, and each party shall operate, develop, and manage its own properties.

The Unit Operators and the City mutually release each other from all claims of damage resulting from the injection of water into the Ranger Zone; however, neither party assumes any responsibility for damages to any other party.

This agreement shall become effective as of the date of execution by the last party, and shall continue in force for so long as the Unit Agreement for Fault Block V continues in effect.

DISCUSSION OF ITEM "D"

The Board of Harbor Commissioners of the City of Long Beach and Socony Mobil Oil Company, as unit operators of the proposed Fault Block V Ranger Zone Unit, and the Standard Oil Company of California, as operator of properties easterly of the boundary of the proposed unit, plan to conduct water-injection operations on a cooperative basis along their common boundary in order to balance reservoir pressures and prevent the migration of oil, gas, or water.

Under the terms of this proposed agreement, a restricted area will be established extending 400 feet on either side of the common boundary. Standard agrees to convert four existing oil wells for water injection, and the Unit agrees to drill two new water-injection wells and convert two existing wells for water injection. Each party shall provide its own injection facilities, and shall operate, develop, and manage its respective properties; however, no major permanent change in water-injection rates shall be made without written agreement of all parties.

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In order to equalize the benefits from water injection received by the parties, the Unit agrees to pay Standard \$50,000 within 30 days after the beginning of the period of secondary recovery. It is estimated that the period of secondary recovery will begin by mid-1965. The staff has reviewed the justification for this payment to Standard, and has found it to be equitable in view of the smaller additional benefit from water injection to be received by Standard.

The Unit releases Standard from and waives all claims for damage caused by the injection of water by Standard. In return, Standard releases the unit operators and working-interest-owners and waives all claims for damage caused by the injection of water by the Unit. Neither party assumes any responsibility for damages to any third party resulting from the operations of any other party.

Additionally, this agreement provides that when production from the Standard properties has reached its economic limit and Standard is ready to abandon such properties, Standard shall offer to turn over to the City all wells and facilities located on the Standard properties which the City feels are required to maintain reservoir pressures. In that event, the City shall pay Standard the salvage value of such equipment and facilities as are left on the property at the request of the City.

DISCUSSION OF ITEM "E"

This release agreement has been initiated by the City in order to permit it to commence water injection into the Tar Zone of Fault Block V along the northern edge of the granted tidelands.

Present oil production from the Tar Zone of Fault Block V north of the tideland boundary is minor, and waterflooding operations in the area north of Seaside Boulevard cannot be economically justified. The City proposes to drill one new water-injection well and convert four producing wells to water injection in the Tar Zone just southerly of the tideland boundary. It is expected that this injection of water will increase reservoir pressures within the Tar Zone and greatly increase the ultimate amount of oil recovered. Private lands north of the tideland boundary will be benefited, to some extent, by the City's water-injection program in the tidelands. Studies conducted by the City and State staffs indicate that the uplands will gain from 17,000 to 47,000 barrels of tideland oil, respectively, from this proposed waterflood. This quantity of oil is considered minimal when compared to the estimated 13½ million additional barrels of oil that may be recovered by waterflooding the tideland portion of the Tar Zone of Fault Block V.

The private oil operators adjacent to the tidelands shall have no rights to hydrocarbons produced through wells located on the tidelands nor shall the City have any rights to hydrocarbons produced from the private lands of the oil companies. No unitization or pooling of production or expense is established by this agreement, and each party shall operate,

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develop and manage its own properties.

Each of the oil companies releases the City and its drilling and operating contractors from all claims of damage including loss of production caused by injection of water into the Tar Zone of Fault Block V. In return, the City agrees to hold harmless each of the oil companies from claims of damage made by any third party resulting from the City's water-injection operations.

This release agreement when executed by the City shall become effective as to the City and the oil companies that have previously executed the agreement, and shall continue in effect for one year and so long thereafter as oil or gas is produced from or water is injected into the Tar Zone of Fault Block V.

DISCUSSION OF ITEM "F"

Pursuant to the proposed Unit Agreement, Fault Block V Ranger Zone Unit, the unit operators, the Board of Harbor Commissioners of the City of Long Beach and Socony Mobil Oil Company have the obligation to cause all wet gas produced to be gathered, measured, tested, and delivered into the gathering system utilized for gathering natural gas produced from the unitized Ranger Zone of Fault Block V.

Presently, each of the processors is the owner or operator of certain parts of the gas-gathering system now gathering the wet gas produced from the tracts to be committed to the unit, and each processor holds certain contracts for the processing of the wet gas through its pipelines and facilities. To facilitate unitization, each processor has agreed to accept the average quality of wet gas produced from the unitized formation in lieu of the wet gas actually produced from a specific tract.

Under the terms of this proposed agreement, in order to effect delivery of each working-interest-owner's share of wet gas to the appropriate processor, the gathering system will be modified and certain portions operated as a single gathering system for Fault Block V.

The cost of constructing and installing all additional pipelines and other facilities required for gathering, measuring, and testing the deliveries of wet gas under this agreement is estimated to be \$78,000, and shall be paid by the unit operators after authorization by vote of the working-interest-owners.

DISCUSSION OF ITEMS "G", "H" AND "I"

These three supplementary agreements will modify the Amended Drilling and Operating Contracts that were executed in 1961 in order that the subject "compromise lands" could be committed to the Fault Block IV Unit.

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The supplementary agreements provide that any impairment of the public trust for commerce, navigation or fisheries to which said granted lands are subject is prohibited. Since the subject lands lie both in Fault Blocks IV and V, the amendments of 1961 provide for this proposed further amendment to include the lands in Fault Block V when such unitization occurs. The 1961 amendments were approved by the State Lands Commission on April 25, 1961 (Minute Item 3, page 6874), and on August 28, 1961 (Minute Items 22-C and 22-D, page 7204).

The City's interest under these proposed supplementary amendments will be 65% of 100% of the working interest, the same as under the amendments of 1961. The contractor will advance the City's share of all capital and operating expenses, and will be reimbursed therefor out of the City's share of production (except resulting dry gas taken in kind by the City) allocated pursuant to the Fault Block V Unit Agreements, together with  $3\frac{1}{2}\%$  interest per annum. The contractor agrees to furnish a financially responsible purchaser, or itself to purchase the City's allocated share of production at the posted price. The surety bonds submitted with the Amendments of 1961 shall apply to the proposed supplemental amendments.

These proposed supplemental agreements shall become effective coincidentally with the effective date of the Fault Block V Ranger Zone Unit for a term of 24 years and 11 months from the effective date of the 1961 amendments.

All of the above agreements have been approved by the Board of Harbor Commissioners of the City of Long Beach and by the City Council of the City of Long Beach. Additionally, the City Council has, by resolution, determined that the above cooperative agreements and release agreement are in the interest of increasing the ultimate recovery of oil or gas from such lands, or of protecting the oil or gas in said lands from any unreasonable waste, or that subsidence or sinking of such lands and abutting lands possibly may be arrested or ameliorated thereby.

The supplementary agreements have been reviewed by the office of the Attorney General, with the conclusion that the agreements may be approved by the State Lands Commission provided that the Commission is satisfied with the engineering feasibility and technical merit of the proposals and if it finds that entering into and performance of the proposals is in the public interest.

The staff has reviewed these proposed agreements and has found them technically feasible and appropriate in order to effectuate the unitization of the Ranger Zone of Fault Block V, and has found that implementation of the provisions of these agreements will substantially increase the ultimate amount of oil economically recoverable from Fault Block V.

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IT IS RECOMMENDED THAT THE COMMISSION:

I.

ITEM A:

1. FIND:

- a. THAT THE "UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, FAULT BLOCK V RANGER ZONE UNIT, WILMINGTON OIL FIELD", PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;
- b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENTS IS IN THE PUBLIC INTEREST.

2. APPROVE THE AFORESAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM B:

1. FIND:

- a. THAT "COOPERATIVE AGREEMENT FOR WATER-INJECTION OPERATIONS (FAULT BLOCK V RANGER ZONE) BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS, RICHFIELD OIL CORPORATION, AND THE BOARD OF HARBOR COMMISSIONERS AND SOCONY MOBIL OIL COMPANY, INC." PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;
- b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.

2. APPROVE THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

SUPPLEMENTAL CALENDAR ITEM 25. (CONTD.)

ITEM C:

1. FIND:

- a. THAT THE "COOPERATIVE AGREEMENT FOR WATER-INJECTION OPERATIONS (FAULT BLOCK V RANGER ZONE UNIT AND PARCEL 'L')", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AND JOINTLY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND SOCONY MOBIL OIL COMPANY, INC., AS UNIT OPERATORS, PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH SAID GRANTED LANDS ARE SUBJECT IS PROHIBITED;
  - b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVE THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM D:

1. FIND:

- a. THAT THE "COOPERATIVE AGREEMENT FOR WATER-INJECTION OPERATIONS (EAST BOUNDARY, MIDDLE SECTION, FAULT BLOCK V RANGER ZONE UNIT)", BETWEEN THE STANDARD OIL COMPANY OF CALIFORNIA (REFERRED TO AS STANDARD), AND THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND SOCONY MOBIL OIL COMPANY, INC. (JOINTLY REFERRED TO AS "UNIT OPERATORS"), PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;
  - b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVE THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM E:

1. FIND:

- a. THAT THE "RELEASE AGREEMENTS, FAULT BLOCK V TAR ZONE, WILMINGTON OIL FIELD", BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS AND SOCONY MOBIL OIL COMPANY, INC., HUMBLE OIL & REFINING COMPANY, THE SUPERIOR OIL COMPANY, SIGNAL OIL AND GAS COMPANY, STANDARD OIL COMPANY OF CALIFORNIA, AND FRANWIN OIL AND GAS COMPANY,

SUPPLEMENTAL CALENDAR ITEM 25. (CONTD.)

PROVIDE THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;

- b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVE THE AFORESAID RELEASE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM F:

1. FIND THAT ENTERING INTO THE PERFORMANCE OF THE "FAULT BLOCK V GAS-GATHERING AGREEMENT", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, FOR AND ON BEHALF OF THE CITY OF LONG BEACH, AND ON ITS OWN BEHALF IN ITS OFFICIAL CAPACITY, AND SOCONY MOBIL OIL COMPANY, INC., EACH ACTING IN ITS CAPACITY AS A UNIT OPERATOR AND ON BEHALF OF THE WORKING-INTEREST-OWNERS UNDER UNIT AGREEMENT, FAULT BLOCK V RANGER ZONE UNIT, AND LOMITA GASOLINE COMPANY, AND LOMITA-SIGNAL-WILMINGTON ASSOCIATES, IS IN THE PUBLIC INTEREST.
2. APPROVE THE AFORESAID GAS-GATHERING AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

ITEM G:

PURSUANT TO CHAPTER 1551, STATUTES OF 1959, AND TO SECTIONS 6879 AND 7058 OF THE PUBLIC RESOURCES CODE,

1. FIND THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST;
2. APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF HUMBLE AMENDED DRILLING AND OPERATING CONTRACT (SUPPLEMENT TO AMENDMENT OF 1961) BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND HUMBLE OIL & REFINING COMPANY.

ITEM H:

PURSUANT TO CHAPTER 1551, STATUTES OF 1959, AND TO SECTIONS 6879 AND 7058 OF THE PUBLIC RESOURCES CODE,

1. FIND THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST;

SUPPLEMENTAL CALENDAR ITEM 25. (CONTD.)

2. APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT DATED JANUARY 10, 1939 (SUPPLEMENT TO AMENDMENT OF 1961), BETWEEN THE CITY OF LONG BEACH AND THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTIES, SIGNAL OIL AND GAS COMPANY, AS SECOND PARTY, AND LONG BEACH DOCK AND TERMINAL COMPANY, AS THIRD PARTY.

ITEM I:

PURSUANT TO CHAPTER 1551, STATUTES OF 1959, AND TO SECTIONS 6879 AND 7058 OF THE PUBLIC RESOURCES CODE,

1. FIND THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST;
2. APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE TERMO COMPANY AMENDED DRILLING AND OPERATING CONTRACT (SUPPLEMENT TO AMENDMENT OF 1961) BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE TERMO COMPANY, A CALIFORNIA CORPORATION, SUCCESSOR IN INTEREST OF MARGARET H. OAKES, DECEASED, FRENDE V. COMBS, ELDRIDGE E. COMBS, ERNEST F. COMBS, AND TRUST ESTATE OF E. E. COMBS, DECEASED.

THESE ITEMS HAVE HERETOFORE BEEN APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE CITY COUNCIL OF THE CITY OF LONG BEACH.

- II. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE DOCUMENTS REQUIRED TO EFFECTUATE THE AFORESAID APPROVALS.

HOWEVER, NOTHING IN THE ABOVE APPROVALS BY THE COMMISSION IS INTENDED TO RECOGNIZE OR AFFECT NOR IS TO BE CONSTRUED TO RECOGNIZE OR AFFECT TITLE TO OR BOUNDARIES OF LANDS IN THE FAULT BLOCK V RANGER ZONE UNIT AREA.