

MINUTE ITEM

13. REVISED COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS (EAST BOUNDARY, MIDDLE SECTION, FAULT BLOCK V RANGER ZONE UNIT), WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,191.

After consideration of Calendar Item 14 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION:

1. RESCINDS THE MARCH 26, 1964 COMMISSION APPROVAL UNDER MINUTE ITEM 27-D, PAGES 9785-9787.
2. FINDS:
 - a. THAT THE "REVISED 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", 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.
3. APPROVES THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

Attachment

Calendar Item 14 (3 pages)

CALENDAR ITEM

14.

REVISED COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS (EAST BOUNDARY, MIDDLE SECTION, FAULT BLOCK V RANGER ZONE UNIT), WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,191.

The City of Long Beach, pursuant to applicable statutes, has submitted to the State Lands Commission for approval a "Revised Cooperative Agreement for Water Injection Operations (East Boundary, Middle Section, Fault Block V Ranger Zone Unit)" between the City of Long Beach and Socony Mobil Oil Company, as Unit Operators of the Fault Block V Ranger Zone Unit, and the Standard Oil Company of California. This agreement will permit the parties 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.

The State Lands Commission approved a cooperative agreement at its meeting of March 26, 1964 (Minute Item 27-D, Minute pages 9783-9787), but this agreement was not executed because it was decided that certain revisions were necessary. The agreement has now been revised to provide (1) that the unit operators indemnify Standard for any claims made by landowners or royalty owners whose lands are committed to unit agreements resulting from the injection of water by Standard into Standard properties, and (2) that the City give Standard reasonable indemnities that it will properly plug and abandon at its own expense those Standard wells which the City may acquire for repressuring purposes.

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. It is proposed to enter into a cooperative agreement with E. C. Simmons before injection is commenced into Segment II C or well H-556.

In order to equalize the benefits received by the parties from water injection, the unit agrees to pay Standard \$50,000 within 30 days after the beginning of the period of secondary recovery, which it is estimated will begin during September 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 Operators and Standard, by this agreement, will release each other from damages and claims resulting from water-injection operations and will indemnify each other for claims by landowners and royalty owners of lands committed to the Unit or for claims by Standard's landowners and royalty owners resulting from water-injection operations by either party. Neither party assumes any responsibility for damages to any third party resulting from the operations of any other party.

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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, and the City shall give Standard reasonable indemnities that it will properly plug the wells at its own expense at such time as the wells are abandoned.

This proposed agreement shall become effective as of the date of execution by the last signatory party, and shall continue in force for so long thereafter as both the Unit Agreements and Standard's right to operate its properties continue in effect.

The Board of Harbor Commissioners of the City of Long Beach and the City Council of the City of Long Beach have approved the subject agreement. The City has, by resolution, determined that the agreement is 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 Working Interest Owners of the Fault Block V Ranger Zone Unit approved this agreement on December 6, 1964.

The proposed agreement has been reviewed by the office of the Attorney General, with the conclusion that the agreement may be approved by the State Lands Commission if it finds that the agreement is in the public interest.

The staff has reviewed the agreement and has found that implementation of the provisions of the agreement will substantially increase the ultimate amount of oil economically recoverable from the Fault Block V Ranger Zone Unit.

IT IS RECOMMENDED THAT THE COMMISSION:

1. RESCIND THE MARCH 26, 1964 COMMISSION APPROVAL UNDER MINUTE ITEM 27-D, PAGES 9783-9787.
2. FIND:
 - a. THAT THE "REVISED 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", 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 OF FISHERIES TO WHICH GRANTED LANDS ARE SUBJECT IS PROHIBITED;

CALENDAR ITEM 14. (CONTD.)

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