

7/20/65

17. APPROVAL OF EXTENSION, MODIFICATION AND ASSIGNMENT OF OIL AND GAS LEASE, LOS ANGELES COUNTY; BOARD OF HARBOR COMMISSIONERS, CITY OF LOS ANGELES - W.O. 5692.

After consideration of Calendar Item 21 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION:

1. FINDS THAT THE PROVISIONS RELATING TO REPRESSURING, SUBSIDENCE AND POOLING SET OUT IN PARAGRAPHS 22-27, INCLUSIVE, IN THE PROPOSED ORDER BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH ITS BOARD OF HARBOR COMMISSIONERS, AND THE ZEPHYR OIL COMPANY, ARE IN THE PUBLIC INTEREST.
2. APPROVES, UNDER THE PROVISIONS OF SECTION 7060(b) OF THE PUBLIC RESOURCES CODE, THE PROPOSED ORDER, DESIGNATED EXHIBIT "A", FOR THE EXTENSION OF THE PERMIT UNDER ORDER NO. 2472, HELD BY ZEPHYR OIL COMPANY FOR A FURTHER TERM OF TEN YEARS, BEGINNING JANUARY 10, 1963, AND ENDING JANUARY 9, 1973, AND THE ADDITION OF PARAGRAPHS 22-27, INCLUSIVE, THERETO, SUBJECT TO THE CONTINUATION OF ALL OF THE TERMS OF ORDER NO. 2472 NOT EXPRESSLY MODIFIED HEREIN, AND THE FOLLOWING TERMS AND CONDITIONS:
 - (a) THAT WATER FLOODING, SUBSIDENCE CONTROL, AND A PROGRAM FOR INCREASING OIL PRODUCTION BY POOLING BE SUBJECT TO THE USE OF METHODS NOT AFFECTING OTHERS OR THE OBTAINING OF RELEASES FROM LIABILITY FROM OWNERS AND OPERATORS OF PROPERTY IN THE VICINITY, AND THAT SUCH RELEASES BE FILED WITH THE COMMISSION.
 - (b) THAT THE CITY OF LOS ANGELES MAKE THE DETERMINATION REQUIRED BY PUBLIC RESOURCES CODE SECTION 6879; NAMELY, THAT THE MODIFICATIONS DESCRIBED HEREIN ARE IN THE INTEREST OF INCREASING THE ULTIMATE RECOVERY OF OIL AND GAS FROM SUCH LAND, OR OF THE PROTECTION OF OIL OR GAS IN SAID LAND FROM UNREASONABLE WASTE, OR THAT SUBSIDENCE OR SINKING OF SUCH LANDS AND ADJUTING LANDS POSSIBLY BE ARRESTED OR AMELIORATED THEREBY.
3. AUTHORIZES THE EXECUTIVE OFFICER TO EXECUTE AND ISSUE THE APPROVAL OF THE ASSIGNMENT OF SAID PERMIT FROM ZEPHYR OIL COMPANY TO HUMBLE OIL & REFINING COMPANY, WITH THE ASSIGNEE TO BE BOUND BY THE TERMS OF THE LEASE TO THE SAME EXTENT AS THE ASSIGNOR.

Attachment

Calendar Item 21 (9 pages)

21.

APPROVAL OF EXTENSION, MODIFICATION AND ASSIGNMENT OF OIL AND GAS LEASE, LOS ANGELES COUNTY; BOARD OF HARBOR COMMISSIONERS, CITY OF LOS ANGELES - W.O. 5692.

In 1953, under Order No. 2472, a permit was issued by the Board of Harbor Commissioners of the City of Los Angeles, with the approval of the State Lands Commission, for drilling, producing, and extracting oil, gas, asphaltum and other hydrocarbons in granted tide and submerged lands in Los Angeles Harbor. Application has now been made to the Board of Harbor Commissioners for a ten-year extension of this permit and its assignment to Humble Oil & Refining Company. The Board of Harbor Commissioners will issue an order extending the permit on the condition that they receive \$50,000 in addition to the royalties in the permit, and that further regulations be imposed relating to subsidence, repressuring, pooling, and production.

On May 18, 1965, the Board of Harbor Commissioners adopted Resolution No. 2764, approving the form of Order No. 2472 and its submission to the State Lands Commission for approval under the provisions of Public Resources Code Section 7060(b), which provides that: "No city shall consent to the modification or amendment of any such lease or agreement without the advance consent of the State Lands Commission to such modification or amendment." The proposed order is attached hereto and incorporated herein as Exhibit "A" for details of the following modifications which it makes:

1. Extends said permit for a further term of ten years beginning January 10, 1963, and ending January 9, 1973, in consideration of a payment of \$50,000.
2. Adds paragraphs 22, 23, 24, 25, 26, and 27, covering the following items:
 - (a) Requiring, at the direction of the Board of Harbor Commissioners, the grantee, at its sole cost and expense, to construct, install, maintain and operate repressuring and pressure-maintenance facilities, and to operate oil recovery facilities and to conduct oil recovery operations, and to take necessary subsidence action.
 - (b) Requiring, at the direction of the Board of Harbor Commissioners, the curtailment, regulation, or complete shut-in of production of oil and gas, and to suspend or regulate the rates of water injection or other substance being injected.
 - (c) Requiring the joining of a unit plan of development or operation for production or injection of fluids where the Board determines this to be necessary or advisable in the public interest.

There are four producing oil wells on the subject premises located in Fault Block I, Wilmington Oil Field, Ranger Zone. The following conditions are also recommended to be imposed:

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1. That water flooding, subsidence control, and a program for increasing oil production by pooling be subject to the obtaining of releases from liability from owners and operators of property in the vicinity, and that such releases be filed with the Commission.
2. That the City of Los Angeles make the determination required by Public Resources Code Section 6879; namely, that the modifications described herein are in the interest of increasing the ultimate recovery of oil and gas from such land, or of the protection of oil or gas in said land from unreasonable waste, or that subsidence or sinking of such lands and abutting lands may possibly be arrested or ameliorated thereby.
3. That the Commission find that the entering into and performance of the terms set out in said paragraphs 22 through 27, inclusive, is in the public interest.

Zephyr Oil Company has assigned its interest in said permit to Humble Oil & Refining Company, and the latter has agreed to perform all of the permit terms and conditions.

The staff has reviewed the proposed order and recommends approval. However, subsidence and repressuring operations may affect other drilling and production operations in the vicinity, and approval should be subject to avoiding such interference or obtaining the consent of such other operators.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE PROVISIONS RELATING TO REPRESSURING, SUBSIDENCE AND POOLING SET OUT IN PARAGRAPHS 22-27, INCLUSIVE, IN THE PROPOSED ORDER BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH ITS BOARD OF HARBOR COMMISSIONERS, AND THE ZEPHYR OIL COMPANY, ARE IN THE PUBLIC INTEREST.
2. APPROVE, UNDER THE PROVISIONS OF SECTION 7060(b) OF THE PUBLIC RESOURCES CODE, THE PROPOSED ORDER, DESIGNATED EXHIBIT "A", FOR THE EXTENSION OF THE PERMIT UNDER ORDER NO. 2472, HELD BY ZEPHYR OIL COMPANY, FOR A FURTHER TERM OF TEN YEARS, BEGINNING JANUARY 10, 1963, AND ENDING JANUARY 9, 1973, AND THE ADDITION OF PARAGRAPHS 22-27, INCLUSIVE, THERETO, SUBJECT TO THE CONTINUATION OF ALL OF THE TERMS OF ORDER NO. 2472 NOT EXPRESSLY MODIFIED HEREIN, AND THE FOLLOWING TERMS AND CONDITIONS:
 - (a) THAT WATER FLOODING, SUBSIDENCE CONTROL, AND A PROGRAM FOR INCREASING OIL PRODUCTION BY POOLING BE SUBJECT TO THE USE OF METHODS NOT AFFECTING OTHERS OR THE OBTAINING OF RELEASES FROM LIABILITY FROM OWNERS AND OPERATORS OF PROPERTY IN THE VICINITY, AND THAT SUCH RELEASES BE FILED WITH THE COMMISSION.
 - (b) THAT THE CITY OF LOS ANGELES MAKE THE DETERMINATION REQUIRED BY PUBLIC RESOURCES CODE SECTION 6879; NAMELY, THAT THE MODIFICATIONS DESCRIBED HEREIN ARE IN THE INTEREST OF INCREASING THE ULTIMATE RECOVERY OF OIL AND GAS FROM SUCH LAND, OR OF THE PROTECTION OF OIL OR GAS IN SAID LAND FROM UNREASONABLE WASTE, OR THAT SUBSIDENCE OR SINKING OF SUCH LANDS AND ABUTTING LANDS POSSIBLY BE ARRESTED OR AMELIORATED THEREBY.

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3. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE AND ISSUE THE APPROVAL OF THE ASSIGNMENT OF SAID PERMIT FROM ZEPHYR OIL COMPANY TO HUMBLE OIL & REFINING COMPANY, WITH THE ASSIGNEE TO BE BOUND BY THE TERMS OF THE LEASE TO THE SAME EXTENT AS THE ASSIGNOR.

Attachment
Exhibit "A"

EXHIBIT "A"

PROPOSED ORDER

An Order of the Board of Harbor Commissioners of the City of Los Angeles extending the permit held by Zephyr Oil Company under Order No. 2472 for the further term of ten years beginning January 10, 1963, and ending January 9, 1973, and amending Section 2 of said Order by adding thereto paragraphs 22, 23, 24, 25, 26 and 27.

IT IS HEREBY ORDERED by the Board of Harbor Commissioners of the City of Los Angeles as follows:

Section 1. That the term of the permit granted to Zephyr Oil Company by Order No. 2472 of the Board of Referred Powers of the City of Los Angeles, entitled, "An Order of the Board of Referred Powers of the City of Los Angeles, acting for the Harbor Department in place of the Board of Harbor Commissioners of said City, granting to Zephyr Oil Company a permit to use certain lands at Los Angeles Harbor, owned by the City of Los Angeles, for the purpose of drilling for, producing, and extracting, oil, gas asphaltum, and other hydrocarbons, and for purposes incidental thereto," adopted November 12, 1952, be and the same is hereby extended to cover the additional term of ten years beginning January 10, 1963, and ending January 9, 1973.

Sec. 2. That Section 2 of said Order No. 2472 is hereby amended by adding at the end thereof Paragraphs 22, 23, 24, 25, 26 and 27, to read as follows:

"22. The grantee, at its sole cost and expense, shall, when and as directed by the Board or its authorized representative, construct, install, maintain and operate repressuring and pressure maintenance facilities (including Water Supply Facilities) and conduct repressuring and pressure maintenance operations on or in the neighborhood of the premises, and construct, install, maintain and operate oil recovery facilities and conduct oil recovery operations on said premises.

When and as directed in writing from time to time by the Board or its authorized representative, the grantee shall curtail or completely shut in the production from any oil well or oil wells, regulate the rates of production of oil and gas therefrom and/or suspend or regulate the rates of water injection and/or other substances to be injected.

The grantee hereby expressly waives any and all damages that may have resulted and that may hereafter result as a consequence of production practices, suspension or regulation of production, water injection or suspension or regulation of water or other substances injection, or other operations conducted or ordered by the Board pursuant to this permit or conducted pursuant

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to an Agreement between the City of Los Angeles, acting by and through its Board of Harbor Commissioners, and Atlantic Oil Company, entered into the 21st day of October, 1963, and designated Harbor Department Agreement No. 631, and this permit is and shall be at all times subject to the terms and conditions contained in said Agreement No. 631.

23. Board reserves and retains the right, upon receipt of any evidence of subsidence or of the possibility of subsidence of the surface of either the premises or adjacent premises, to determine that any or all further operations under this permit would or might aggravate or cause subsidence, to the impairment or interference with the developed shoreline areas upon or adjacent to the premises or damage to other shoreline or marine properties. In the event of such determination, solely in the discretion and judgment of the Board, Board may notify the grantee, in writing, to suspend in the manner and to the extent specified in said notice, all or any part of grantee's operations under this permit within thirty (30) days of said notice, and the grantee agrees to suspend said operations within said time in the manner and to the extent so specified.

Exercise of either or both of the foregoing rights by Board is subject to the following PROVISOS:

A. Such determination may be made by the Board at any time during the term of this permit but only after thirty (30) days' written notice to grantee that the Board has received evidence of such subsidence and proposes to determine whether any or all further operations under this permit would or might cause or aggravate subsidence to the impairment or interference with the developed shoreline, recreational or commercial areas adjacent to the premises or damage to other shoreline or marine properties. During said thirty (30) day period grantee may present facts and arguments relevant to such determination.

B. At least thirty (30) days prior to said meeting, Board shall, to the best of its ability and to the extent permitted by law, make available to grantee for study any and all written graphic information and opinions theretofore received or prepared by or for the Board relative to subsidence of the surface of the premises and adjacent lands.

C. Operations under this permit suspended pursuant to this paragraph may be resumed by grantee, in whole or in part, only in the manner and to the extent provided and subject to conditions contained in a program, agreed to by both Board and grantee, designed to alleviate or prevent further subsidence.

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D. Notwithstanding any agreement by Board to any such program, Board may, upon receipt of evidence of further such subsidence occurring subsequent to the resumption of operations under such program, notify grantee to again suspend operations in accordance with the provisions of this paragraph, and grantee shall so suspend operations.

During any such period of suspension in whole or in part pursuant to this paragraph, the drilling, offset, and production obligations of grantee shall likewise be suspended in whole or in part to the extent and only to the extent that the performance of such drilling, offset, and production obligations is rendered impracticable or unreasonable as a result of the notice to suspend by Board pursuant to this paragraph.

The rights reserved and retained by Board under this paragraph shall be exercisable to the extent and only to the extent that such exercise is permitted by law at the time of such exercise.

24. In the event the Board in its sole discretion shall determine that it is necessary or advisable in the public interest, for the purpose of increasing ultimate recovery or conserving the natural resources of any oil or gas pool or field, or any part thereof, the grantee shall be required to and shall unite with other grantees, lessees, permittees and contractors of Board jointly or separately, or jointly and separately with other persons owning or operating lands not belonging to Board, including lands belonging to the United States, or to the State of California, in collectively adopting and operating under a cooperative or unit plan of development or operation of the pool or field, or any part thereof, including but not limited to the injection of fluids. Board may establish, alter or change any drilling and production requirements of this permit, permit apportionment of or reasonably limit production, and may make such regulations with reference to this permit, with like consent on the part of the grantee, in connection with the institution and operation of any such cooperative or unit plan, as Board deems necessary or proper to secure the proper protection of the interests of Board. In no event, however, shall the grantee enter into any plan of unitization without the prior written consent of the Board first had and obtained. Such consent, if granted, shall be subject to such conditions as the Board in its discretion may deem advisable such as, but not by way of limitation, the injection of fluids.

25. It is agreed that grantee shall not hold over after the termination, revocation or expiration of this permit unless the approval in writing of the General Manager of the Harbor Department of the City of Los Angeles to such holdover is first had and obtained. In the event grantee, with such approval, shall so hold over for any cause, such holding over shall be deemed a tenancy

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from month to month only, at the same rate of compensation and upon the same terms and conditions as are set forth in this permit, unless other terms and conditions be agreed upon in writing by the Board and grantee.

In the event during any such holding over by grantee, an extension of this permit or a new permit of the same premises or substantially the same premises as are described in this permit, is executed between Board and grantee, the entire period of any such holding over by grantee shall be at the rate of compensation as may be provided in such extension or new permit, and any payments of compensation for any such holding over made by grantee to Board at the rates provided in this permit shall be credited thereon, and grantee shall pay to Board the difference, if any, between the compensation due at the new rate and the compensation paid at the rate herein provided within thirty days after any such extension or new permit is entered into.

26. That the consent of the Board of Harbor Commissioners of the City of Los Angeles is hereby given to the sale, transfer and assignment by Zephyr Oil Company to Humble Oil & Refining Company of all the right, title and interest of said Zephyr Oil Company in and to the permit hereby granted provided, that the consent and approval of said Board hereby expressed shall not, nor shall the same be deemed or construed to, in any way amend, extend, abridge or interpret any of the provisions of said permit, and Humble Oil & Refining Company in accepting said assignment, shall agree to all the terms and conditions of said permit as a principal and provided further, that before any such sale, transfer or assignment shall be or become effective, the same shall be evidenced by a duly executed instrument in writing, approved as to form and content by the City Attorney, a copy of which shall be filed in the office of the Board of Harbor Commissioners.

27. In consideration of the Board granting the extension of this permit to Zephyr Oil Company, said company shall pay to the Board of Harbor Commissioners, in addition to the compensation provided in said permit, the sum of Fifty Thousand Dollars (\$50,000) and the extension hereby granted shall not be or become effective unless and until said sum of Fifty Thousand Dollars (\$50,000) has been received by the Harbor Department of the City of Los Angeles."

Sec. 3. That in all other respects, except as herein provided, each and every of the terms and conditions of said permit, as set forth in said Order No. 2472, shall be and remain in full force and effect during said period of extension the same as though set forth in length herein.

Sec. 4. The Secretary shall certify to the adoption of this Order by the Board of Harbor Commissioners of the City of Los Angeles, and shall cause a copy of the same to be presented to the City Council as provided by Section 149(e) of the Charter of the City of Los Angeles. If the Council shall approve said Order within thirty days after the same shall

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have been presented to it, or if the Council shall fail to disapprove said Order within said thirty days, the Secretary shall cause the same to be published once in the Daily Commercial News and Shipping Guide. Such Order, when published, shall, before the same becomes effective, be subject to the referendum provisions of said Charter relating to ordinances.

I HEREBY CERTIFY that the foregoing Order was adopted by the Board of Harbor Commissioners of the City of Los Angeles at its meeting of _____.

Robert M. Wilkinson
S e c r e t a r y

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The undersigned grantee hereby accepts the foregoing extension and amendment of the permit granted by Order No. 2472, and agrees to abide by and observe each and every of the terms and conditions thereof.

Dated: _____, 1965.

ZEPHYR OIL COMPANY,

By _____
President

(S E A L)

ATTEST:

Secretary

Approved as to Form
and Legality

May 5, 1965

ROGER ARNEBERGH, City Attorney

By /s/ Harry D. Miller, Jr.
Deputy