

MINUTE ITEM
This Calendar Item No. 50
was approved as Minute Item
No. 50 by the State Lands
Commission by a vote of 3
0 of its 9/27/89
meeting.

CALENDAR ITEM

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APPROVAL OF CONSENT BY THE CITY OF LONG BEACH
FOR AMENDED AND RESTATED COOPERATIVE AGREEMENT
FOR WATER INJECTION OPERATIONS BETWEEN THE
LONG BEACH UNIT AND TERMO COMPANY
(FORMERLY CONTINENTAL PRODUCTION COMPANY)

BACKGROUND INFORMATION

A Cooperative Agreement for water injection operations between the Long Beach Unit and Continental Production was entered into on November 15, 1958. The Agreement was entered into to protect the common interests of the two offset operators with respect to water injection and oil productions. The Co-op area lies along the western boundary of the Long Beach Unit (Townlot Area) adjoining privately owned lands as shown on attached location map, Exhibit "C". The Co-op area includes a portion of the Ranger zone from the "F" Electric Log Marker to the "G" Electric Log Marker bounded by parallel, vertical surfaces located on either side of and four hundred (400) feet from the common boundary of unitized formations. This area is the "Restricted Section" and is indicated by the cross-hatched section on the map marked Exhibit "D".

The Agreement required Continental to inject 700 barrels per day into each of two wells on its property adjacent to the "Restricted Zone". The Unit Operator was to reimburse Continental at a rate of \$0.016 per barrel for one half of the injection. The Unit Operator had the right, but not the obligation, to operate two producing wells. The Agreement states that no portion of the producing interval locations of such wells shall be closer than one hundred fifty (150) feet from the common boundary of the Continental properties or

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(ADDED pgs. 352-376)

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unitized formations. The Continental Production Company property has been sold to the Termo Company. Termo is having difficulty maintaining the required injection rates and would like to revise the contract and reduce the requirements.

PROPOSED AUTHORIZATION:

The attached Cooperative Agreement (Exhibit "A") has been amended and restated and specifies an injection rate of 500 barrels per day for each of Termo's wells. The Unit will not reimburse Termo for any part of Termo's injection cost. The Unit Operator shall operate injection Well A-765 and a second injection Well A-763 when deemed appropriate.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

Staff concurs that additional injection is needed along the Long Beach Unit and Termo boundary, specifically the conversion to injection of Wells B-765 and B-763 (see Exhibit "D") to maintain current reservoir performance.

- EXHIBITS:
- A. Cooperative Agreement (Contract).
 - B. Legal Description of Co-op Area.
 - C. Location Map.
 - d. Co-op Area Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE CONSENT BY THE CITY OF LONG BEACH FOR AMENDED AND RESTATED COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS BETWEEN THE LONG BEACH UNIT AND TERMO COMPANY (FORMER CONTINENTAL PRODUCTION COMPANY).

EXHIBIT "A"

AMENDED AND RESTATED COOPERATIVE AGREEMENT
FOR WATER INJECTION OPERATIONS
(LONG BEACH UNIT AND TERMO COMPANY,
FORMERLY CONTINENTAL PRODUCTION COMPANY)

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4 1. PARTIES. This Agreement is made and entered into
5 as of the ____ day of _____, 1989, pursuant to a Minute
6 Order adopted by the City Council of the City of Long Beach on
7 the ____ day of _____, 1989 by and between CITY OF LONG
8 BEACH, a municipal corporation, acting in its capacity as Unit
9 Operator of the Long Beach Unit, Wilmington Oil Field, County of
10 Los Angeles, hereinafter referred to as "Unit Operator" and the
11 TERMO COMPANY, a California corporation, hereinafter referred to
12 as "Termo", successor in interest of certain interests of
13 Continental Production Company, a Nevada corporation.

14 2. RECITALS. This Amended and Restated Cooperative
15 Agreement is made with regard to the following facts and objec-
16 tives:

17 ~~A. Unit Operator and Continental Production Company~~
18 entered into a Cooperative Agreement for water injection opera-
19 tions (Long Beach Unit and Continental Production Company)
20 "Cooperative Agreement" on November 15, 1968.

21 B. Termo purchased certain interests of Continental
22 Production Company in the Wilmington Oil Field effective January
23 1, 1989, and is the successor in interest to Continental in the
24 Cooperative Agreement.

25 C. The Cooperative Agreement for water injection
26 operations provides in part in paragraph 3: "The Unit Operator
27 shall have the right but not the obligation to drill and to
28 operate as many as two (2) producing wells within the restricted

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1 section, provided that no portion of the producing-interval
2 locations of such wells shall be closer than one hundred fifty
3 (150) feet from the common boundary of the Continental proper-
4 ties and unitized formations. No other wells either producing
5 wells or injection wells, shall be open for production or for
6 water injection in said restricted section, nor shall there be
7 any change in the production interval of any producing well or
8 injection interval of any injection well in said restricted
9 section, without the written consent of all parties hereto and
10 the prior approval of the State Lands Commission."

11 D. The parties to this agreement now desire to share
12 equally the cost of water injection and therefore have deter-
13 mined to enter into this Amended and Restated Cooperative
14 Agreement for Water Injection Operations (Long Beach Unit and
15 Termo Company formerly Continental Production Company) "Amended
16 and Restated Contract", to reflect that current understanding.

17 ~~Ex. Oil, gas and/or other hydrocarbon substances are~~
18 now being produced from the Ranger Zone underlying certain lands
19 in the Wilmington Field in Los Angeles County, California, under
20 oil and gas leases held by Cortinental Production Company,
21 predecessor in interest to Termo, which lands are described in
22 Exhibit "A" attached hereto, are sometimes known as Continental
23 Northern Community Oil and Gas Lease No. 3, and are hereinafter
24 referred to as Termo/Continental Properties.

25 F. Oil, gas and/or other hydrocarbon substances are
26 now being produced in the Wilmington Field from the Ranger Zone
27 underlying certain lands having a common boundary along Pine
28 Avenue with Termo/Continental Properties and ~~California~~ have been

1 committed to the Unit Agreement, Long Beach Unit, Wilmington Oil
2 Field, Los Angeles County, California, and to the Unit Operating
3 Agreement, Long Beach Unit, Wilmington Oil Field, Los Angeles
4 County, California, hereinafter referred to as "Unit Agree-
5 ments", a copy of each has been recorded in the official records
6 in the office of the County Recorder of Los Angeles County under
7 the terms of which the City of Long Beach is the Unit Operator.

8 G. Water injection operations are being carried on in
9 portions of the Ranger Zone, and based upon the results of water
10 injection operation and engineering studies made to date, it
11 would appear that conditions, insofar as they can presently be
12 determined, definitely indicated that water injection into the
13 Ranger Zone underlying lands committed to the Long Beach Unit,
14 hereinafter referred to as "Unitized Formations", and into the
15 Ranger Zone underlying Termo/Continental Properties, will result
16 in the ongoing conservation of reservoir pressures in said zone,
17 ~~and has been and will continue to be of mutual benefit to all~~
18 parties hereto in that it has and will continue to substantially
19 increase the otherwise maximum ultimate amount of oil economi-
20 cally recoverable therefrom under primary and secondary opera-
21 tions.

22 H. Unit Operator and Termo proposed to proceed with
23 water injection operations in the Ranger Zone underlying the
24 unitized formations and Termo/Continental Properties and to
25 continue to conduct their respective water injection operations
26 upon a cooperative basis as hereinafter provided.

27 I. In order that such water injection program may be
28 ongoing, it is the desire of the parties hereto to enter into

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1 this Amended and Restated Agreement and give the releases
2 therein contained.

3 3. The definitions of the Unit Agreement are adopted
4 for purposes of this agreement.

5 4. The portion of the Ranger Zone from the "F"
6 Electric Log Marker to the "G" Electric Log Marker bounded by
7 parallel, vertical surfaces located on either side of and four
8 hundred (400) feet from the common boundary of the unitized
9 formations and Termo/Continental Properties is designated and
10 hereinafter referred to as the "Restricted Section" and is
11 appropriately indicated by cross-hatched section on the map
12 attached hereto incorporated herein and marked Exhibit "B".

13 5. The producing interval locations of all producing
14 wells and the injection-interval locations of all water injection
15 wells heretofore drilled and presently operable are shown
16 on Exhibit "B" attached hereto and incorporated herein. Termo
17 shall operate two (2) injection wells, WI-4 and WI-5 shown on
18 Exhibit "B". Unit Operator shall have a duty to operate one
19 injection well A-765 and at such time as the Director of the
20 Department of Oil Properties deems appropriate to operate a
21 second injection well A-763. No other wells, either producing
22 or injection wells shall be open for production or for water
23 injection into said restricted section, nor shall there be any
24 change in the production interval of any producing well or
25 injection interval of any injection well in said restricted
26 section, without the written consent of all parties hereto and
27 the prior approval of the State Lands Commission.

28 6. The water injection rate for each water injection

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1 well in the restricted section is shown on Exhibit "B" and Termo
2 agrees to make every reasonable effort to inject water into each
3 water injection well at the rate so indicated during the full
4 term of this agreement; provided, however, that Termo shall not
5 be required to inject water at rates exceeding the capacities of
6 such injection wells and related facilities. The water injec-
7 tion rates for any water injection well may be changed by
8 agreement between the Unit Operator and Termo.

9 7. It is the purpose and intent of the parties to
10 continue to conduct their respective water injection operations
11 along the common boundary along Pine Avenue between the Unitized
12 Formations and the Termo/Continental Properties so as to main-
13 tain reservoir pressures in the Ranger Zone on the two sides of
14 the common boundary and to prevent oil or gas, water or other
15 fluids from migrating insofar as is practicable in order that
16 there will be no net gain or loss to any party hereto by reason
17 of any such migration of fluids.

18 8. Termo and the Unit Operator shall each provide a
19 supply of water and injection facilities for injecting the water
20 as may be required of each to carry out the provisions of this
21 agreement. Each party shall pay its own costs of operating,
22 repairing and maintaining the injection facilities and each
23 shall pay the cost of the supply of water for its respective
24 wells. Each party shall continue injecting water until Termo
25 and the Unit Operator mutually agree that water injection is no
26 longer necessary along the common boundary. Present and future
27 redrilling costs, if any, of such injection wells are to be paid
28 by the party operating, controlling or responsible for the

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1 injection well.

2 9. Unit Operator, in its capacity as such and acting

3 on behalf of the Participants, the State and the City under the

4 Unit Agreements, and upon the understanding that it shall not be

5 obligated hereunder in its individual capacity, except propor-

6 tionately as a Participant, hereby forever releases and dis-

7 charges Termo, its successors and assigns, and any officer,

8 agent, independent contractor or employee of Termo, from and

9 covenants to, and does hereby waive any and all claims, demands

10 or causes of action arising out of or resulting or accruing from

11 movement of, damage to or destruction of subsurface minerals and

12 mineral rights, including oil, gas and water in the United

13 Formations and Unit Wells and Unit Facilities therein used for

14 the production of such minerals, caused in whole or in part by

15 the injection of water into the Termo/Continental properties.

16 Termo hereby forever releases and discharges Unit Operator and

17 ~~the Participants, the State and the City~~ under said Unit Agree-

18 ments, their successors and assigns, and any officer, agent,

19 independent contractor or employee of any of them, from, and

20 covenants to, and does hereby waive any and all claims, demands

21 or causes of action arising out of or resulting or accruing from

22 movement of, damage to or destruction of subsurface minerals and

23 mineral rights, including oil, gas and water, and wells and

24 equipment therein used for the production of such minerals,

25 hereafter occurring, caused in whole or in part by the injection

26 of water by or on behalf of any of said persons into the Unit-

27 ized Formations.

10. Termo agrees to indemnify and hold harmless Unit

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1 Operator and the Participants, the State and the City under said
2 Unit Agreements from and against any and all claims made by
3 landowners or royalty owners whose lands are subject to and
4 included in leases to Termo and are in the area described in
5 Exhibit "A" hereof, on account of the injection of water by Unit
6 Operator into the Unitized Formations pursuant to the terms of
7 this agreement. Unit Operator, in its capacity as such, and
8 acting on behalf of the Participants, the State and the City
9 under the Unit Agreements, and upon the understanding that it
10 shall not be obligated hereunder in its individual capacity
11 except proportionately as a Participant, agrees to indemnify and
12 hold harmless Termo from and against any and all claims made by
13 landowners or royalty owners whose lands are committed to the
14 Unit Agreements on account of the injection of water by Termo
15 into the Termo properties within the restricted section pursuant
16 to the terms of this agreement.

17 ~~11. Except for the indemnities provided in Section 10~~
18 hereof, no party hereto assumes hereby any responsibility for
19 damages to any third party arising out of or resulting from the
20 operations, acts or omissions of any other party hereto.

21 12. Each party hereto shall be responsible for the
22 operation of its own properties, and for its wells in the
23 Restricted Zone, and, subject to the other provisions of this
24 agreement, each party shall have the right to commence, discon-
25 tinue or make changes in the water injection operations thereon
26 outside the Restricted Section without the consent of the other.
27 Nothing herein contained shall be construed to convey to any one
28 or more of the parties hereto any right or title to

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1 properties of the other or to any oil, gas or other hydrocarbons
2 produced therefrom, nor to transfer title to any leases or
3 drilling or operating contracts, nor as pooling or unitizing any
4 interest owned by any party; and each party shall, in its sole
5 discretion, develop, operate, manage and produce its own proper-
6 ties except as herein expressly provided to the contrary.

7 13. The parties hereto agree that a full exchange of
8 data will be made periodically with respect to the respective
9 water injection operations conducted under the terms of this
10 agreement.

11 14. Each party hereto shall appoint in writing a
12 representative who shall represent its principal on a committee
13 which shall be available to make such studies and recommenda-
14 tions as are requested by the parties hereto.

15 15. When production from the Termo/Continental
16 properties has reached its economic limit, and Termo is ready to
17 abandon ~~Termo/Continental~~ properties, Termo to the extent it has
18 the right so to do, shall offer to turn over to the City of Long
19 Beach, but not in its capacity as Unit Operator, Termo's inter-
20 est in all wells and facilities then located on the Termo
21 properties which the City determines are required to maintain
22 reservoir pressure, and, in that event, the City shall pay Termo
23 the fair salvage value of Termo's undivided one-half (1/2)
24 interest in such salvable equipment and facilities as are left
25 on Termo properties by Termo at the request of the City. The
26 City shall give Termo reasonable indemnities that it will
27 properly plug and abandon such wells which Termo may turn over
28 to the City at the City's cost and expense.

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16. It is expressly understood and agreed that all operations hereunder on tide and submerged lands shall be consistent with the trust upon which the City holds such tide and submerged lands from the State of California. It is expressly provided in this regard that any impairment of the public trust for commerce, navigation or fisheries to which said tide and submerged lands are subject is prohibited.

17. This agreement shall be subject to approval by the State Lands Commission of the State of California and the Supervisor of Oil and Gas of the State of California, and, if so approved, shall be deemed effective as of the date of execution hereof by the last party signatory hereto, and shall continue in force for so long thereafter as said Unit Agreements and Terms right to operate the Terms properties continue in effect. Notwithstanding the termination of this agreement, the releases and discharges provided in section 9 hereof shall thereafter remain in full force and effect until such time as they are specifically abrogated or modified in writing by all parties hereto whose rights are governed by such releases and discharges, their successors or assigns.

18. The terms and provisions of this agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed, in triplicate originals, with all the formalities required by law on the respective dates

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set forth opposite their signatures.

CITY OF LONG BEACH, a municipal corporation, acting in its capacity as Unit Operator of Long Beach Unit, Wilmington Oil Field, Los Angeles County, California

_____, 1989

By _____
City Manager

UNIT OPERATOR

CITY OF LONG BEACH, a municipal corporation, acting in its municipal capacity and not as Unit Operator

_____, 1989

By _____
City Manager

CITY OF LONG BEACH

TERMO COMPANY, a California corporation

_____, 1989

By _____
President

_____, 1989

By _____
Secretary

TERMO

The foregoing Amended and Restated Cooperative Agreement for Water Injection Operations, Long Beach Unit and Termo Company, is hereby approved as to form this _____ day of _____, 1989.

JOHN R. CALHOUN, City Attorney

WEE:bjh
07/19/89
Coop. agm

By _____
Deputy

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CONTINENTAL NORTHERN COMMUNITY OIL LEASE NO. 3

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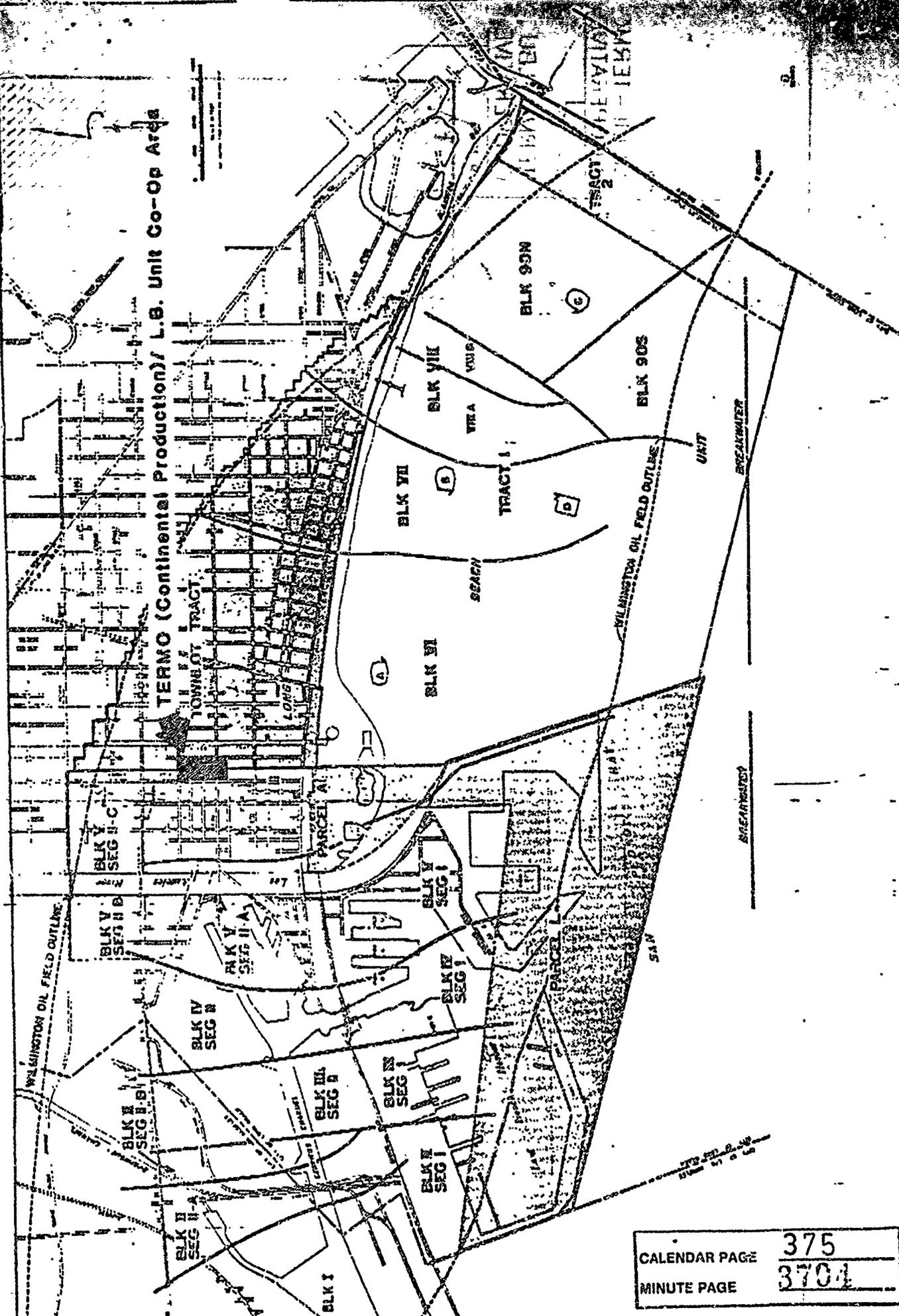
Beginning at the point of intersection of the center line of Sixth Street with the center line of Pine Avenue, thence westerly along said center line of Sixth Street to the point of intersection thereof with the center line of Cedar Avenue, thence northerly along said center line of Cedar Avenue to the point of intersection thereof with the center line of Seventh Street, thence westerly along said center line of Seventh Street to the point of intersection thereof with the center line of Chestnut Avenue, thence northerly along said center line of Chestnut Avenue to the point of intersection thereof with the center line of Eighth Street, thence westerly along said center line of Eighth Street to the point of intersection thereof with the center line of Magnolia Avenue, thence northerly along said center line of Magnolia Avenue to the point of intersection thereof with the center line of Ninth Street, thence westerly along said center line of Ninth Street to the point of intersection thereof with the center line of Daisy Avenue, thence northerly along said center line of Daisy Avenue to the point of intersection thereof with the center line of Tenth Street, thence westerly along said center line of Tenth Street, and the prolongation of that center line, to the point of intersection thereof with the easterly boundary of the Los Angeles County Flood Control Channel right-of-way, thence northerly along said easterly boundary line of said Flood Control Channel right-of-way a distance of 1338 feet more or less to a point on said easterly line of the Los Angeles County Flood Control Channel right-of-way distant 40 feet northerly from the south line of Anaheim Street, thence easterly parallel to and 40 feet northerly from the south line of Anaheim Street to the center line

1 of Daisy Avenue, thence southerly along the center line of Daisy
 2 Avenue to its intersection with the center line of Loma Vista
 3 Drive, thence easterly along the center line of Loma Vista
 4 Drive, thence easterly along the center line of Loma Vista
 5 Drive and following its curves to its intersection with the
 6 center line of Chestnut Avenue, thence southerly along the
 7 center line of Chestnut Avenue to its intersection with the
 8 center line of Twelfth Street, thence easterly along the center
 9 line of Twelfth Street to its intersection with the center line
 10 of Cedar Avenue, thence southerly along the center of Cedar
 11 Avenue to its intersection with the westerly prolongation of the
 12 north line of the Richardson Tract (MB 4 Page 20), thence east-
 13 erly along said north line of Richardson Tract prolonged to its
 14 intersection with the center line of Pacific Avenue, thence
 15 southerly along the center line of Pacific Avenue to its inter-
 16 section with the center line of Teach Street, thence easterly
 17 along the center line of Teach Street to its intersection with
 18 the center line of Pine Avenue, thence southerly along the
 19 center line of Pine Avenue to point of beginning.

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MAP OF THE WILMINGTON OIL FIELD AND LONG BEACH AREA,
LOS ANGELES COUNTY, CALIFORNIA

EXHIBIT C



TERMO (Continental Production) L.B. Unit Co-Op Area

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LEASE LINE

LEASE LINE

CHEVRON

MOBIL-TERMINAL COOPERATIVE

TERMO-LBU COOPERATIVE

LEGEND

INJECTOR

ASSIGNED RATE

RANGER V.VI INJECTION COOPERATIVES

EXHIBIT 'O'

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PREPARED BY DL. PACE DISCOUNT BY T.R. BRINK

