

MINUTE ITEM

25. FOURTH AGREEMENT SUPPLEMENTING DRILLING AND OPERATING CONTRACT, RICHFIELD OIL CORPORATION, PARCEL "A", WILMINGTON FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,158.

After consideration of Calendar Item 29 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 10(b), CHAPTER 29, STATUTES OF 1956, 1ST E.S., APPROVES, AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF, THE "FOURTH AGREEMENT SUPPLEMENTING DRILLING AND OPERATING CONTRACT DATED MARCH 12, 1947, PARCEL 'A'", BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS, AS FIRST PARTIES, AND RICHFIELD OIL CORPORATION, AS SECOND PARTY, HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE CITY COUNCIL OF THE CITY OF LONG BEACH. THIS APPROVAL IS SUBJECT TO THE CONDITION THAT THE APPROVAL OF THE STATE LANDS COMMISSION SHALL BE REQUESTED AND OBTAINED BY THE BOARD OF HARBOR COMMISSIONERS FOR THE LOCATION OF THE INJECTION INTERVAL OF ANY WELL TO BE DRILLED BY THE RICHFIELD OIL CORPORATION AT THE DIRECTION OF THE BOARD OF HARBOR COMMISSIONERS FOR THE INJECTION OF WATER (AS SUCH TERM IS DEFINED IN SECTION 2 OF PARAGRAPH (a) OF PARAGRAPH 25.3 OF THE SUBJECT CONTRACT) WHEN SUCH WELL IS TO BE BOTTOMED IN AND OPENED TO INJECTION INTO ZONES OR FAULT BLOCKS UNDERLYING LANDS OUTSIDE OF THE GEOGRAPHIC AREA OF THE SUBJECT LANDS (PARCEL "A") AS DEFINED IN THE SUBJECT CONTRACT; AND

THE COMMISSION APPROVES THE REQUEST SUBMITTED BY THE BOARD OF HARBOR COMMISSIONERS FOR THE LOCATION AND THE INJECTION INTERVAL OF WELL FR 107 TO BE DRILLED AND USED FOR WATER INJECTION BY THE RICHFIELD OIL CORPORATION AT THE DIRECTION OF THE BOARD OF HARBOR COMMISSIONERS, WHICH WELL IS BOTTOMED AND OPENED TO INJECTION OUTSIDE OF THE AREA OF PARCEL "A" AS DEFINED IN SUBJECT CONTRACT.

Attachment

Calendar Item 29 (2 pages)

CALENDAR ITEM

29.

FOURTH AGREEMENT SUPPLEMENTING DRILLING AND OPERATING CONTRACT, RICHFIELD OIL CORPORATION, PARCEL "A", WILMINGTON FIELD, LOS ANGELES COUNTY - L.B.W.C. 10,158.

The City of Long Beach has submitted for the approval of the State Lands Commission, in accordance with the provisions of Section 10(b), Chapter 29, Statutes of 1956, 1st E.S., a "Fourth Agreement Supplementing Drilling and Operating Contract dated March 12, 1947, Parcel 'A'", between the City of Long Beach and its Board of Harbor Commissioners, as first parties, and Richfield Oil Corporation, as second party.

The proposed agreement amends the drilling and operating contract in the following respects:

1. Obligates the contractor, at the request of the Board of Harbor Commissioners, to drill injection wells surfaced upon Parcel "A" for the injection of water into zones or fault blocks underlying not only Parcel "A" but also into zones and fault blocks underlying other lands subject to the control of the Board in the neighborhood of the Parcel "A" lands.
2. Provides that injection water supplied by the operator may be injected into well intervals within or in the neighborhood of Parcel "A" lands, and allows use of such water whether or not said injection wells are being operated by the contractor.
3. Provides for the contractor to operate and maintain water-injection wells surfaced outside of Parcel "A" so long as all such wells are being operated and used primarily for the benefit and development of Parcel "A" lands, and also provides that such wells may be for the purpose of injecting water into zones and fault blocks of sub-surface intervals within or in the neighborhood of Parcel "A".
4. Obligates the contractor to sell excess injection water for injection into wells operated by parties other than the contractor where injection intervals are within Fault Block V and Fault Block VI.

This amendment is necessary in order to correct the reservoir pressure imbalance on the south flank of the pool resulting from water injection from the north, which, if not corrected, will result in migration of oil from the leased area into unleased marginal lands.

In addition, since high-pressure injection water needed for injection into Lower Terminal Well FA-401 can be obtained at a much lower capital cost from Richfield's Parcel "A" water injection plant than from the Harbor Commission Parcel "A" plant, it is advisable to provide in said contract for Richfield Oil Corporation to furnish such water in excess of its own needs to the Long Beach Oil Development Company at cost. Well FA-401 was drilled by Long Beach Oil Development for the benefit of Parcel "A".

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The Board of Harbor Commissioners adopted a motion approving this proposed agreement at its meeting of February 19, 1962; the City Council adopted a similar motion at its meeting of February 20, 1962.

The office of the Attorney General, after review, has advised that if the proposed amendment is determined by the Commission to be in the best interest of the State for the promotion of increased oil production and the restoration and maintenance of reservoir pressures, it may be approved, subject to the condition that the Commission retain authority to approve in advance the location of the injection interval of any well drilled for the injection of water where such interval is to be located outside of Parcel "A".

The Board of Harbor Commissioners has submitted, for approval by the Commission, the location of the injection interval of Well FR 107 to be used for water injection by the Richfield Oil Corporation, which well will be bottomed and opened to injection outside of the area of Parcel "A" as defined in the subject contract.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 10(b), CHAPTER 29, STATUTES OF 1956, 1st E.S., APPROVE, AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF, THE "FOURTH AGREEMENT SUPPLEMENTING DRILLING AND OPERATING CONTRACT DATED MARCH 12, 1947, PARCEL 'A'", BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS, AS FIRST PARTIES, AND RICHFIELD OIL CORPORATION, AS SECOND PARTY, HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE CITY COUNCIL OF THE CITY OF LONG BEACH. THIS APPROVAL IS TO BE SUBJECT TO THE CONDITION THAT THE APPROVAL OF THE STATE LANDS COMMISSION SHALL BE REQUESTED AND OBTAINED BY THE BOARD OF HARBOR COMMISSIONERS FOR THE LOCATION OF THE INJECTION INTERVAL OF ANY WELL TO BE DRILLED BY THE RICHFIELD OIL CORPORATION AT THE DIRECTION OF THE BOARD OF HARBOR COMMISSIONERS FOR THE INJECTION OF WATER (AS SUCH TERM IS DEFINED IN SECTION 2 OF PARAGRAPH (a) OF PARAGRAPH 25.3 OF THE SUBJECT CONTRACT) WHEN SUCH WELL IS TO BE BOTTOMED IN AND OPENED TO INJECTION INTO ZONES OR FAULT BLOCKS UNDERLYING LANDS OUTSIDE OF THE GEOGRAPHIC AREA OF THE SUBJECT LANDS (PARCEL "A") AS DEFINED IN THE SUBJECT CONTRACT; AND

THAT THE COMMISSION APPROVE THE REQUEST SUBMITTED BY THE BOARD OF HARBOR COMMISSIONERS FOR THE LOCATION AND THE INJECTION INTERVAL OF WELL FR 107 TO BE DRILLED AND USED FOR WATER INJECTION BY THE RICHFIELD OIL CORPORATION AT THE DIRECTION OF THE BOARD OF HARBOR COMMISSIONERS, WHICH WELL IS BOTTOMED AND OPENED TO INJECTION OUTSIDE OF THE AREA OF PARCEL "A" AS DEFINED IN SUBJECT CONTRACT.