

MINUTE ITEM

32. UNIT AGREEMENT, COAL OIL POINT OFFSHORE OIL AND GAS FIELD, DEVEREAUX AREA, STATE OIL AND GAS LEASES P.R.C. 308.1 AND P.R.C. 309.1, SANTA BARBARA COUNTY; RICHFIELD OIL CORPORATION - W.O. 4205.

After consideration of Calendar Item 33 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION:

1. APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO EXECUTE THE UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE COAL OIL POINT OFFSHORE OIL AND GAS FIELD, DEVEREAUX AREA, SANTA BARBARA COUNTY, CALIFORNIA, DATED JUNE 26, 1964, ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF.
2. DETERMINES THAT THE UNIT PLAN OF DEVELOPMENT AND OPERATION CONTEMPLATED IN THE UNIT AGREEMENT, ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF, IS NECESSARY AND ADVISABLE IN THE PUBLIC INTEREST FOR THE PURPOSE OF MORE PROPERLY CONSERVING THE NATURAL RESOURCES OF THE COAL OIL POINT OFFSHORE OIL AND GAS FIELD, DEVEREAUX AREA, SANTA BARBARA COUNTY, CALIFORNIA.
3. DETERMINES THAT THE ALTERATION, CHANGE OR REVOCATION OF CERTAIN OF THE DRILLING AND PRODUCTION REQUIREMENTS OF STATE LEASES P.R.C. 308.1 AND 309.1, THE PROVISIONS FOR APPORTIONMENT OF PRODUCTION, AND OTHER CHANGES IN SAID STATE LEASES TO CONFORM WITH THE TERMS AND CONDITIONS OF SAID UNIT AGREEMENT ARE DEEMED NECESSARY AND PROPER TO SECURE THE PROPER PROTECTION OF THE INTERESTS OF THE STATE.

Attachment  
Calendar Item 33 (3 pages)

CALENDAR ITEM

33.

UNIT AGREEMENT, COAL OIL FOINT OFFSHORE OIL AND GAS FIELD, DEVEREAUX AREA, STATE OIL AND GAS LEASES P.R.C. 308.1 AND P.R.C. 309.1, SANTA BARBARA COUNTY; RICHFIELD OIL CORPORATION - W.O. 4205.

State Oil and Gas Leases P.R.C 308.1 and P.R.C. 309.1, covering approximately 3,840 acres of tide and submerged lands in Santa Barbara County, were issued to Honolulu Oil Corporation, Signal Oil and Gas Company, and Macco Corporation on March 4, 1947, pursuant to competitive public bidding. The leases are now held by Richfield Oil Corporation and Signal Oil and Gas Company, with Richfield Oil Corporation designated as operator.

The lessees have heretofore drilled eleven exploratory wells into the tide and submerged lands covered by the two leases. Seven of these wells were directionally drilled from upland drillsites, and five were drilled from mobile drilling equipment. In excess of \$5 million has been expended in efforts to develop commercial production. Two of the wells drilled from mobile drillsites have penetrated oil and gas zones and have been completed for the production of oil and gas, with well-head equipment located on the ocean floor. From data developed, supplemented by seismic information, the approximate productive limits of the producing structure have been defined. A portion of the productive area of approximately 160 acres lies within each lease. Two wells are currently producing oil and gas, and a third well, proposed to be a deep test, is currently being drilled.

The lessees have requested authorization to pool the productive areas with a view to modifying development and producing requirements of both leases. Representatives of the lessees' operator, of the staff, and of the office of the Attorney General have held a number of conferences and have drafted a Unit Agreement satisfactory to both joint lessees, to the office of the Attorney General, and to the staff (see Exhibit "C" attached).

Section 3301 of the Public Resources Code provides for the State Oil and Gas Supervisor to approve cooperative operations whenever the Supervisor finds they are in the interest of the protection of oil or gas from unreasonable waste, or for the purpose of bringing about the development operations of a field as a unit, or for the production of oil or gas or provide for the return of gas into the subsurface for the purpose of storage or repressuring of an oil or gas field. The proposed unit will be submitted to the Oil and Gas Supervisor for approval.

Section 6832 of the Public Resources Code provides that the Commission may, for the purpose of more properly conserving natural resources of any oil or gas pool or field covering lands belonging to the State, approve a cooperative unit plan of development or operation of the pool or field whenever the Commission determines that it is necessary or advisable in the public interest. The Commission may, with the consent of the holders of leases involved, establish, alter, change, and revoke any drilling, any production requirements of such leases, permit apportionment of production, and may

CALENDAR ITEM 33. (CONTD.)

make regulations with reference to such lease with like consent on the part of such lessees, in connection with the institution and operation of any cooperative unit plan the Commission deems necessary or proper to secure protection of the State's interest.

Under the proposed unit, the area of both leases, approximately 3,840 acres, is included in the Unit Area. The participating area will include 510 acres, of which 160 acres are probably productive (see Exhibits "A" and "B").

The operator was obligated to commence to drill a well on or before August 1, 1964, to the productive zone. This well is now being drilled, and will complete the drilling requirements for the productive area unless additional data is developed from this well, or the drilling of other unit wells, or through well production history indicating that more wells are necessary to promote the maximum recovery of oil and gas from the participating area. In the event such data is developed, the State may request the drilling of additional wells. Within 120 days after the cessation of drilling operations on the obligation well, operations shall commence for the drilling of another well within the Unit Area (see Exhibit "A"). Operations for the drilling of each succeeding well thereafter shall commence within 120 days after the cessation of drilling operations in the preceding well until spacing requirements have been fulfilled for each productive zone encountered. The spacing requirements of the current lease form (above 6000 feet, one well per 20 acres; below 6000 feet, one well per 40 acres; for gas wells, one well per 320 acres) in use by the Commission have been specified in the Unit Agreement for use outside of the participating area, replacing the ten-acre spacing provisions of the original leases.

Except for production requirements, the operation of one drilling string will satisfy drilling requirements for both leases. Upon completion of a production well other than the obligation well, the productive area and the participating area will be revised to include the new approved acreage. The time interval between wells has been increased from 30 days in the original lease to the 120-day interval included in the present lease form.

Working interest owners may file with the State, at any time, a written quitclaim of all rights under the underlying leases or under this agreement as to lands within the Unit Area. Such quitclaim shall be in a form to be in the interest of the State and shall be approved by the State. The rent and royalty provisions are the same as those specified in the underlying leases. The royalty rate on oil produced is based on the daily production per well. The optimum royalty rate is achieved by securing maximum production per well consistent with good engineering practice. The agreement provides that all terms and provisions of the original leases, to the extent that they may conflict, are considered amended to conform to this agreement, but otherwise are to remain in full force and effect. The effective date of this agreement shall be 7:00 a.m. on the first day of the calendar month after all the following events have occurred.

CALENDAR ITEM 33. (CONTD.)

1. Execution of this agreement by Richfield and Signal;
2. Approval of this agreement by the Oil and Gas Supervisor of the State of California, pursuant to the provisions of Section 3301 of the Public Resources Code;
3. Approval of this agreement by the Commission.

Upon becoming effective, all of the provisions of this agreement shall thereafter be made and remain in effect, for all purposes, so long as unitized substances, or any of them, can be produced from the Unit Area in paying quantities, or operator shall be conducting the producing, drilling, deepening, repairing, redrilling, or other necessary lease or well maintenance operations within the Unit Area, or until this agreement is terminated at any time by the unanimous consent of the working-interest owners and such termination is approved by the State, or both State leases terminate in accordance with their terms or provisions as modified by this agreement, or the State elects to terminate this agreement pursuant to any of the provisions hereof expressly providing for such termination.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE COAL OIL POINT OFFSHORE OIL AND GAS FIELD, DEVEREAUX AREA, SANTA BARBARA COUNTY, CALIFORNIA, DATED JUNE 26, 1964, ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF.
2. DETERMINE THAT THE UNIT PLAN OF DEVELOPMENT AND OPERATION CONTEMPLATED IN THE UNIT AGREEMENT, ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF, IS NECESSARY AND ADVISABLE IN THE PUBLIC INTEREST FOR THE PURPOSE OF MORE PROPERLY CONSERVING THE NATURAL RESOURCES OF THE COAL OIL POINT OFFSHORE OIL AND GAS FIELD, DEVEREAUX AREA, SANTA BARBARA COUNTY, CALIFORNIA.
3. DETERMINE THAT THE ALTERATION, CHANGE OR REVOCATION OF CERTAIN OF THE DRILLING AND PRODUCTION REQUIREMENTS OF STATE LEASES P.R.C 30 .1 AND 309.1, THE PROVISIONS FOR APPORTIONMENT OF PRODUCTION, AND OTHER CHANGES IN SAID STATE LEASES TO CONFORM WITH THE TERMS AND CONDITIONS OF SAID UNIT AGREEMENT ARE DEEMED NECESSARY AND PROPER TO SECURE THE PROPER PROTECTION OF THE INTERESTS OF THE STATE.