

32. COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS, RANGER ZONE, BELMONT OIL FIELD, LONG BEACH UNIT, ORANGE COUNTY; HUMBLE OIL & REFINING COMPANY AND TEXACO INC. - P.R.C. 186.1, W.O. 6629; W.O. 5200.505.6.

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

THE COMMISSION:

1. FINDS AS TO THE CITY OF LONG BEACH:

- A. THAT THE "COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS, LONG BEACH UNIT, HUMBLE AND TEXACO, RANGER ZONE" BETWEEN HUMBLE OIL & REFINING COMPANY AND TEXACO INC., AND THE CITY OF LONG BEACH ACTING IN ITS CAPACITY AS UNIT OPERATOR OF THE LONG BEACH UNIT, 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.

2. APPROVES THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.
3. FINDS, AS TO THE STATE'S LESSEES OF LEASE P.R.C. 186.1, THAT IT IS NECESSARY AND ADVISABLE IN THE PUBLIC INTEREST THAT THE SAID LESSEES ENTER INTO THE AFORESAID COOPERATIVE AGREEMENT.
4. AUTHORIZES THE EXECUTIVE OFFICER TO EXECUTE ON BEHALF OF THE COMMISSION THE ATTACHED EXHIBIT "A", "APPROVAL BY STATE LANDS COMMISSION".

Attachment

Calendar Item 33 (4 pages)

COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS, RANGER ZONE, BELMONT OIL FIELD, LONG BEACH UNIT, ORANGE COUNTY; HUMBLE OIL & REFINING COMPANY AND TEXACO INC. - P.R.C. 186.1, W.O. 6629; W.O. 5200.505.6.

State Oil and Gas Lease P.R.C. 186.1 was issued on September 24, 1945, to Marine Exploration Company, pursuant to competitive bidding, and is now held jointly by Humble and Texaco.

The City of Long Beach, Humble Oil & Refining Company, and Texaco Inc., pursuant to applicable statutes, have submitted to the State Lands Commission for approval a "Cooperative Agreement for Water Injection Operations, Long Beach Unit, Humble and Texaco, Ranger Zone" between Humble Oil & Refining Company and Texaco Inc., and the City of Long Beach acting in its capacity as Unit Operator of the Long Beach Unit.

The City, as grantee in trust of certain tide and submerged lands included within the Long Beach Unit, must obtain Commission approval pursuant to Public Resources Code Section 6879. Humble and Texaco, as oil and gas lessees of State-owned tide and submerged lands, must obtain Commission approval pursuant to Public Resources Code Section 6832. Thus, this agreement is presented for dual approval.

The agreement will permit the City and Humble and Texaco to proceed with water-injection operations on a cooperative basis along the common boundary between Lease P.R.C. 186.1 and the Long Beach Unit in order to balance reservoir pressures and to prevent the migration of oil, gas, water, and other fluids.

Under the terms of the proposed agreement, a Restricted Section will be established, extending 500 feet on either side of the common boundary. The number of development and injection wells to be drilled in the Ranger Zone of the Restricted Section is specified. No modification of the agreement between the parties thereto, increasing the number of producing or injection wells in the Ranger Zone of the Restricted Section, shall be effective without prior approval of the State Lands Commission. The injection of water into the Ranger Zone within this Restricted Section will be accomplished by drilling two injection wells on Long Beach Unit lands and by conversion of two producing wells into injection wells on Lease P.R.C. 186.1. The City will be permitted to drill a maximum of six wells for the production of oil from the Restricted Section. No other wells, either producing or injection, shall be opened for production or for water injection in the Ranger Zone of the Restricted Section without the written agreement of all parties. Humble is not obligated to inject in any interval other than the Ranger Zone. The Long Beach Unit, however, is obligated by Section 5 of Ch. 138/64, 1st E.S., and by Section 4(f) of the Ordinance adopted by the people of the City of Long Beach on February 27, 1962, to provide a program of complete pressure maintenance by water injection. This may require injection in intervals other than the Ranger Zone.

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Each of the parties has agreed initially to inject water at specified rates, which rates may be changed from time to time by mutual agreement. Insofar as injection wells on Unit lands are concerned, such injection rates shall be in accordance with Plans of Operation and Development adopted in accordance with the provisions of the Unit Agreements and of Section 5, Ch. 138/64, 1st E.S., provided that such rates, insofar as is practicable, will not create a net gain or loss to any party by reason of the migration of fluids.

The City releases and holds harmless Humble and Texaco from all claims of damage resulting from the injection of water into any zone through wells bottomed under Lease P.R.C. 186.1. Reciprocally, Humble and Texaco release and hold harmless the Unit Operator, the Participants, and the State of California, under the Long Beach Unit Agreements, from all claims of damage resulting from the injection of water into any zone bottomed under the Unit area. However, the City and Humble and Texaco agree that such release and hold-harmless provisions do not apply to injection of water into any oil-saturated section in zones below the Ranger Zone in the Restricted Section.

Humble and Texaco have requested that the State, as lessor of Lease P.R.C. 186.1, waive any and all claims, demands, and causes of action against Humble and Texaco which may arise out of water injection operations in the Restricted Section by any or all parties to the agreement (see Exhibit "A"). Because of the requirement that the Long Beach Unit inject water to provide a program of complete pressure maintenance, there is a slight possibility that water injected by the Unit in zones other than the Ranger Zone may water out some wells on Lease P.R.C. 186.1. Public Resources Code Section 6832 authorizes the Commission, with the consent of the lessee, to modify the lease and to make such regulations with reference to the lease in connection with the institution and operation of cooperative plans as the Commission deems necessary or proper to secure the proper protection of the interests of the State. The staff has considered the over-all benefits to be received by the State from the institution of this Agreement, and has concluded that the request of Humble and Texaco to waive claim and damages is reasonable and in the interests of the State.

The City Council of the City of Long Beach, by resolution adopted July 11, 1967, approved the subject Agreement and determined that it is in the interest of increasing the ultimate recovery of oil or gas, and of protecting the oil or gas in the subject lands from unreasonable waste, or that subsidence or sinking of such lands and abutting lands possibly may be arrested or ameliorated thereby.

The Office of the Attorney General has reviewed the proposed agreement, with the conclusion that it 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 thereof will increase the ultimate amount of oil economically recoverable from State Lands and from Unit lands and is in the public interest.

CALENDAR ITEM 33. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION

1. FIND AS TO THE CITY OF LONG BEACH:

A. THAT THE "COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS, LONG BEACH UNIT, HUMBLE AND TEXACO, RANGER ZONE" BETWEEN HUMBLE OIL & REFINING COMPANY AND TEXACO INC., AND THE CITY OF LONG BEACH ACTING IN ITS CAPACITY AS UNIT OPERATOR OF THE LONG BEACH UNIT, 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.

2. APPROVE THE AFORESAID COOPERATIVE AGREEMENT ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

3. FIND, AS TO THE STATE'S LESSEES OF LEASE P.R.C. 186.1, THAT IT IS NECESSARY AND ADVISABLE IN THE PUBLIC INTEREST THAT THE SAID LESSEES ENTER INTO THE AFORESAID COOPERATIVE AGREEMENT.

4. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE ON BEHALF OF THE COMMISSION THE ATTACHED EXHIBIT "A", "APPROVAL BY STATE LANDS COMMISSION".

Attachment: Exhibit "A"

EXHIBIT "A"

APPROVAL BY STATE LANDS COMMISSION

The State of California, acting by and through the State Lands Commission of the State of California, in consideration of the benefits to be derived by it from performance of the foregoing Cooperative Agreement for Water Injection Operations, Long Beach Unit, Humble and Texaco, Ranger Zone, does hereby approve said Agreement, and as an inducement to Humble and Texaco to execute and perform the same on their parts and undertake the risks inherent in the water injection program provided for by said Agreement, does hereby waive any and all claims, demands and causes of action against Humble and Texaco and each of them which may hereafter arise out of water injection operations in the Restricted Section by any or all parties to said Agreement, provided that insofar as Humble and/or Texaco conduct water injection operations, said operations, are conducted in accordance with the terms and conditions set forth in said Agreement.

Dated: _____, 1967.

STATE LANDS COMMISSION
OF THE STATE OF CALIFORNIA

By _____
Executive Officer