

10/26/67

37. LINE WELL AGREEMENT, OIL AND GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, SACRAMENTO COUNTY, STANDARD OIL COMPANY OF CALIFORNIA AND UNION OIL COMPANY OF CALIFORNIA - W.O. 6694.

After consideration of Calendar Item 48 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. FINDS THAT THE COOPERATIVE PLAN OF DEVELOPMENT AND OPERATION OF THE FIELD IS IN THE PUBLIC INTEREST WITH RESPECT TO LEASES P.R.C. 714.1 AND P.R.C. 729.1 FOR THE PURPOSE OF PROMOTING CONSERVATION AND PREVENTING UNREASONABLE WASTE OF NATURAL GAS, CONDENSATE, AND ASSOCIATED HYDROCARBONS; AND
2. AUTHORIZES THE APPROVAL OF THE LINE WELL AGREEMENT COVERING LANDS WITHIN THE NORTH RIVER ISLAND GAS UNIT AND GEORGIANA SLOUGH GAS UNIT, OIL AND GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, SACRAMENTO COUNTY, A COPY OF WHICH AGREEMENT IS MADE A PART HEREOF BY REFERENCE TO THE OFFICIAL FILES OF THE COMMISSION.

Attachment

Calendar Item 48 (2 pages)

LINE WELL AGREEMENT, OIL AND GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, SACRAMENTO COUNTY, STANDARD OIL COMPANY OF CALIFORNIA AND UNION OIL COMPANY OF CALIFORNIA - W.O. 6694.

Gas Leases P.R.C. 714.1 and P.R.C. 729.1 were issued to Brazos Oil and Gas Company on April 18, 1952, and June 30, 1952, respectively, pursuant to competitive public bidding. Both leases are now held by Standard Oil Company of California and Union Oil Company of California. Portions of both leases are included in the North River Island Gas Unit and the Georgiana Slough Gas Unit.

Standard Oil Company drilled a well on the North River Island Gas Unit that resulted in a deeper pool gas discovery producing from two gas zones within the interval 8800 to 9200 feet.

Union Oil Company, as operator under the terms of both of the State leases, has submitted a "Line Well Agreement", which provides for the drilling of a development well under the portions of oil and gas leases pooled in the North River Island Gas Unit and the Georgiana Slough Gas Unit. The State's royalty interest in the North River Island Unit is 5.1639% for P.R.C. 714 and 10.3902% for P.R.C. 729. The State's royalty interest in the Georgiana Slough Unit is 4.3540% for P.R.C. 714.1.

Under the provisions of the "Line Well Agreement", a "line" well will be drilled within 200 feet of the boundary line common to both of the units, and any drilling operations will be considered as though such operations were performed on lands subject to both of the units. All production of gas from such well will be considered as though such production was secured equally from lands within both units, and all gas produced will be allocated equally to the units.

The gas zones subject to the agreement will be the zone or zones below the base of the Nortonville Zone as it is defined in the North River Island Gas Unit.

The line well will be drilled as an offset to the discovery well. The State will benefit from this agreement, as it will evaluate the gas potential of the deeper pool discovery which may prove to be productive under both of the units, and the State will participate in any new production developed in the units.

The proposed "Line Well Agreement" has received approval from the royalty interest owners of the leases pooled in the two units.

The Division has reviewed the proposed agreement covering operations in and the method of allocating production to the two units, and has determined that the agreement is in the public interest and will promote conservation and will prevent unreasonable waste of natural gas, condensate, and associated hydrocarbons.

Paragraph 20 of each State lease involved and the provisions of Public Resources Code Section 6832 authorize the State's lessees to join units with the approval

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of the State Lands Commission. In the opinion of the Office of the Attorney General, the "Line Well Agreement" is a cooperative plan of development and operation of a part of a pool or field within the meaning of Section 6832 and paragraph 20 of each lease, and is in compliance with the Rules and Regulations of the State Lands Commission.

Pursuant to the provisions of Section 6832 of the Public Resources Code,

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE COOPERATIVE PLAN OF DEVELOPMENT AND OPERATION OF THE FIELD IS IN THE PUBLIC INTEREST WITH RESPECT TO LEASES P.R.C. 714.1 AND P.R.C. 729.1 FOR THE PURPOSE OF PROMOTING CONSERVATION AND PREVENTING UNREASONABLE WASTE OF NATURAL GAS, CONDENSATE, AND ASSOCIATED HYDROCARBONS; AND
2. AUTHORIZE THE APPROVAL OF THE LINE WELL AGREEMENT COVERING LANDS WITHIN THE NORTH RIVER ISLAND GAS UNIT AND GEORGIANA SLOUGH GAS UNIT, OIL AND GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, SACRAMENTO COUNTY, A COPY OF WHICH AGREEMENT IS MADE A PART HEREOF BY REFERENCE TO THE OFFICIAL FILES OF THE COMMISSION.