

60. UNIT AGREEMENT, UNIT OPERATING AGREEMENT, AND DRILLING AND OPERATING CONTRACT, FAULT BLOCK I, TERMINAL UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 10,171.

After consideration of Calendar Item 41 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. FINDS:

A. THAT THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, FAULT BLOCK I, TERMINAL UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, CALIFORNIA, AND THE DRILLING AND OPERATING CONTRACT, LOS ANGELES HARBOR DEPARTMENT TIDELANDS PARCEL, FAULT BLOCK I, TERMINAL UNIT AREA, WILMINGTON OIL FIELD, BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH ITS BOARD OF HARBOR COMMISSIONERS, AND HUMBLE OIL AND REFINING COMPANY AND CONTINENTAL OIL COMPANY, PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED TIDE AND SUBMERGED LANDS ARE SUBJECT IS PROHIBITED.

B. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENTS IS IN THE PUBLIC INTEREST.

2. APPROVES THE AFORESAID UNIT AGREEMENT, UNIT OPERATING AGREEMENT AND DRILLING AND OPERATING CONTRACT ON BEHALF OF THE STATE, PURSUANT TO SECTIONS 6879 AND 7060 OF THE PUBLIC RESOURCES CODE.

Attachment

Calendar Item 41 (2 pages)

41.

UNIT AGREEMENT, UNIT OPERATING AGREEMENT, AND DRILLING AND OPERATING CONTRACT, FAULT BLOCK I, TERMINAL UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 10,171.

The City of Los Angeles has requested State Lands Commission approval of the Unit Agreement and Unit Operating Agreement, Fault Block I, Terminal Unit, and the Drilling and Operating Contract, Los Angeles Harbor Department Tidelands Parcel, Fault Block I, Terminal Unit Area, Wilmington Oil Field, in accordance with applicable provisions of law.

The two unit documents will effect unitization of those areas of Fault Block I within the Terminal Unit, with Humble Oil and Refining Company acting as Unit Operator. Under the terms of the unit documents, Humble will conduct secondary-recovery and reservoir-pressure-maintenance operations in order to promote conservation and to increase the ultimate recovery of oil, gas, and associated minerals.

The Drilling and Operating Contract will replace nine existing oil and gas permits that are now held by Humble Oil and Refining Company and Continental Oil Company, and will authorize unitization of the subject tide and submerged lands. Most of the existing oil and gas permits have a sliding-scale royalty payable to the City of between 30 and 50 percent of the gross production from each well, depending on the average daily production. Under the new Drilling and Operating Contract the City will receive a 16-2/3 percent gross royalty, plus 16-2/3 percent of the net profits after the gross royalty is paid.

The City of Los Angeles has furnished a study made by their petroleum consultant which indicates that the cumulative net proceeds to the City under the proposed contract with unitization and waterflood operations will far exceed the net proceeds it would have received from primary production under the terms of the existing permits.

The Board of Harbor Commissioners and the City Council of the City of Los Angeles have made the required statutory finding that the unit development of the portion of tide and submerged lands covered by the subject Drilling and Operating Contract will increase the ultimate recovery of oil and gas from said lands and will protect the oil and gas lands from unreasonable waste, and authorized Humble to effect the unit development of said tide and submerged lands as provided in the Unit Agreement.

The subject documents have been reviewed by the Office of the Attorney General with the conclusion that, upon the making of the requisite findings, the State Lands Commission may approve these documents.

The staff has reviewed the proposed documents, and has found the terms to be reasonable and equitable in order to effectuate the unitization of Fault Block I, and has found that implementation of the provisions of these agreements will substantially increase the ultimate amount of economically recoverable oil.

CALENDAR ITEM 41. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND:

- a. THAT THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, FAULT BLOCK I, TERMINAL UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, CALIFORNIA, AND THE DRILLING AND OPERATING CONTRACT, LOS ANGELES HARBOR DEPARTMENT TIDELANDS PARCEL, FAULT BLOCK I, TERMINAL UNIT AREA, WILMINGTON OIL FIELD, BETWEEN THE CITY OF LOS ANGELES, ACTING BY AND THROUGH ITS BOARD OF HARBOR COMMISSIONERS, AND HUMBLE OIL AND REFINING COMPANY AND CONTINENTAL OIL COMPANY, PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH GRANTED TIDE AND SUBMERGED LANDS ARE SUBJECT IS PROHIBITED.
- b. THAT ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENTS IS IN THE PUBLIC INTEREST.

2. APPROVE THE AFORESAID UNIT AGREEMENT, UNIT OPERATING AGREEMENT AND DRILLING AND OPERATING CONTRACT ON BEHALF OF THE STATE, PURSUANT TO SECTIONS 6879 AND 7060 OF THE PUBLIC RESOURCES CODE.