

38. COOPERATIVE AGREEMENT FOR WATER-INJECTION OPERATIONS, LONG BEACH UNIT AND CONTINENTAL PRODUCTION COMPANY, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.505.8.

After consideration of Calendar Item 5 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. FINDS:

- A. THAT THE "COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS (LONG BEACH UNIT AND CONTINENTAL PRODUCTION COMPANY)", BETWEEN THE CITY OF LONG BEACH ACTING IN ITS CAPACITY AS UNIT OPERATOR OF THE LONG BEACH UNIT, AND THE CONTINENTAL PRODUCTION COMPANY, PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION, OR FISHERIES TO WHICH THE GRANTED LANDS ARE SUBJECT IS PROHIBITED;
- B. THAT ENTERING INTO 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.

Attachment

Calendar Item 5 (2 pages)

5.

COOPERATIVE AGREEMENT FOR WATER-INJECTION OPERATIONS, LONG BEACH UNIT AND CONTINENTAL PRODUCTION COMPANY, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.505.8.

The City of Long Beach has requested State Lands Commission approval of the "Cooperative Agreement for Water Injection Operations (Long Beach Unit and Continental Production Company)", between the City of Long Beach acting in its capacity as Unit Operator of the Long Beach Unit, and Continental Production Company.

This agreement will permit the parties to conduct water-injection operations on a cooperative basis in a portion of the Ranger Zone along the common boundary between the Long Beach Unit and the Continental properties so as to maintain reservoir pressures and prevent the migration of oil, gas, water, or other fluids in order that there will be no net gain or loss to either party by reason of any such migration of fluids.

Under the terms of the proposed agreement, a restricted area, extending 400 feet on either side of the common boundary, will be established. The Unit Operator shall have the right, but not the obligation, to drill and operate up to two producing wells within the restricted area.

Continental's contract operator, Standard Oil Company of California, presently is operating two injection wells within the proposed restricted area. These injectors were drilled and have been operated at the expense of Continental. In order to equalize the investment, operating, and remedial costs for these two injection wells, the Unit Operator will pay Continental \$57,500, plus \$0.016 per barrel times one-half of the total barrels of water injected, and one-half of any future remedial well work which exceeds \$5,000 in cost. The Unit Operator will thereby be relieved of the need to drill any injection wells into the restricted area.

Any modification of production or injection intervals or the drilling of any new wells within the restricted area will require the written agreement of the parties and the prior approval of the State Lands Commission.

The Unit Operator will release Continental from all claims of damage resulting from the injection of water into Continental properties. Additionally, the Unit Operator, upon the understanding that it shall not be obligated except proportionally as a Participant, agrees to hold Continental harmless from all claims made by landowners or by royalty owners whose lands are committed to the Unit on account of the injection of water by Continental. Reciprocally, Continental releases and holds harmless the Unit Operator, the Participants, and the State of California under the Long Beach Unit Agreements from all claims by Continental's landowners or royalty owners of damages resulting from the injection of water into the unitized formations.

CALENDAR ITEM 5. (CONTD.)

The proposed agreement, after approval by the State Lands Commission and the State Oil and Gas Supervisor, shall become effective as of the date of execution by the last signatory party, and shall continue in force for so long as the Unit Agreements and Continental's right to operate their properties continue in effect; provided, however, that the liability releases shall remain in effect until they are specifically abrogated or modified in writing by all parties.

The City Council of the City of Long Beach, by resolution adopted October 8, 1968, approved the subject Cooperative Agreement, and determined that it is in the interest of increasing the ultimate recovery of oil and gas and of protecting the oil or gas in the subject lands from unreasonable waste, or that subsidence or sinking of lands in the area possibly may be arrested or ameliorated thereby.

The Voting Parties in the Long Beach Unit approved the Cooperative Agreement at their meeting of September 19, 1968.

The Office of the Attorney General reviewed the proposed agreement, and concluded that it may be approved by the State Lands Commission if it finds that the agreement is in the public interest.

The staff of the Commission has reviewed the agreement and found that its terms are equitable and that implementation of the provisions thereof will increase the ultimate amount of oil economically recoverable from the Long Beach Unit area.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND:

- A. THAT THE "COOPERATIVE AGREEMENT FOR WATER INJECTION OPERATIONS (LONG BEACH UNIT AND CONTINENTAL PRODUCTION COMPANY)", BETWEEN THE CITY OF LONG BEACH ACTING IN ITS CAPACITY AS UNIT OPERATOR OF THE LONG BEACH UNIT, AND THE CONTINENTAL PRODUCTION COMPANY, PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION, OR FISHERIES TO WHICH THE GRANTED LANDS ARE SUBJECT IS PROHIBITED;
- B. THAT ENTERING INTO 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.