

MINUTE ITEM

18. UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, EASEMENT 415.1, RIO VISTA GAS UNIT; CONTRA COSTA, SACRAMENTO, SAN JOAQUIN AND COLANO COUNTIES; STANDARD OIL COMPANY OF CALIFORNIA - W.O. 5060.

After consideration of Calendar Item 37 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. DETERMINES THAT THE ENTERING INTO AND THE PERFORMANCE OF THE RIO VISTA GAS UNIT AGREEMENT IS IN THE PUBLIC INTEREST; AND WILL PROMOTE CONSERVATION AND PREVENT UNREASONABLE WASTE OF NATURAL GAS, CONDENSATE, AND ASSOCIATED HYDROCARBONS IN THE RIO VISTA FIELD.
2. APPROVES THE AFORESAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH THE ACCOMPANYING EXHIBITS, ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAWS.

Attachment

Calendar Item 37 (3 pages)

CALENDAR ITEM

37.

UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, EASEMENT 415.1, RIO VISTA GAS UNIT; CONTRA COSTA, SACRAMENTO, SAN JOAQUIN AND SOLANO COUNTIES; STANDARD OIL COMPANY OF CALIFORNIA - W.O. 5060.

Agreement For Easement No. 415.1, covering tide and submerged land areas in the beds of the Sacramento and San Joaquin Rivers and other inland waters in Contra Costa, Sacramento, San Joaquin and Solano Counties, was issued to Standard Oil Company of California on June 30, 1940 (see Exhibits "A" and "B").

On December 20, 1963, in accordance with the provisions of Section 6827 of the Public Resources Code, a new lease, in exchange for Agreement for Easement No. 415.1, was issued for a term of five years and for so long thereafter as gas is produced in paying quantities or lessee shall be conducting producing, drilling, deepening, repairing, redrilling, or other necessary lease or well-maintenance operations on the leased lands.

Standard Oil Company of California, Western Operations, Inc., has submitted for approval by the State Lands Commission, in accordance with applicable provisions of law, copies of Unit Agreement and Unit Operating Agreement, with accompanying exhibits, providing for the unitization of natural gas, condensate, and associated hydrocarbons in the Rio Vista Field.

The unitization is proposed in accordance with Section 3301 of the Public Resources Code in the interest of the public welfare and to promote conservation, prevent unreasonable waste, and increase the ultimate maximum economic recovery of natural gas, condensate, and associated hydrocarbons from the Rio Vista Field.

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 cooperating 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, and any production requirements of such leases, may permit apportionment of production, and may make regulations with reference to such leases, with like consent on the part of such lessees in connection with the institution and operation of any cooperative unit-plan as the Commission deems necessary or proper to secure protection of the State's interest.

The lessees, who will become working interest owners under the unit, have determined that unitization of the subsurface portion of the unit area between the surface of the ground and 5,450 feet below sea level will provide conditions most favorable to the ultimate maximum recovery and maintenance of the highest current income. Pressures have declined, and many of the areas in the field are producing water. It is necessary to compress the gas production from a number of wells. These unfavorable conditions

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will increase with time. Unitization affords the most favorable way to meet these and other producing problems, while at the same time assuring equitable participation in the production.

In order to make an independent determination of the present recoverable gas underlying each parcel, lessee employed a firm of petroleum consultants in Houston, Texas. All the basic data for the field, including complete records for every well drilled, production and pressure records for each well by month from the beginning of production, and other pertinent data, were considered. Structural, isopach and net sand maps for each pool have been prepared, and production pressures and reservoir studies have been made. In the opinion of the staff, the State Lands participation, determined to be 13.4388% of the estimated recoverable gas reserves, is reasonable and equitable.

The Unit Agreement provides that by an agreement with a working interest owner, each royalty owner shall continue to be entitled to all information in possession of the unit operator to which such royalty owner has heretofore been entitled. It is also provided that the various lease agreements covering the respective tracts or production therefrom are amended to the extent necessary to make them conform to the provisions of the Unit Agreement, but that otherwise they shall remain in effect.

The Unit Agreement and Unit Operating Agreement will become effective on the first day of the calendar month that commences not less than thirty (30) days after the following have occurred:

1. Execution of this Agreement by all working interest owners.
2. Execution of this Agreement by royalty owners having at least ninety percent (90%) of the royalty interest in each of several tracts, which several tracts have a combined tract participation of at least eighty percent (80%); provided that if this Agreement has been executed by royalty owners having at least sixty percent (60%) of the royalty interest in each of several tracts, which several tracts had a combined tract participation of at least sixty percent (60%), all working interest owners acting unanimously may declare this condition to be satisfied.
3. Approval by the Oil and Gas Supervisor of the State of California of this Agreement, pursuant to the provisions of Section 3301 of the Public Resources Code of the State of California.

Unless sooner terminated as hereinafter provided, this Agreement shall remain in effect for so long as unitized substances are produced in paying quantities, provided that no cessation of production of unitized substances shall terminate this agreement if, within six months after such cessation, Unit Operator shall resume production of unitized substances or shall commence and thereafter prosecute with reasonable diligence and without cessation of more than 90 consecutive days, drilling, deepening, repairing, redrilling, or other operations that will result in a restoration of production of unitized substances, and provided further that no cessation of production

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of unitized substances shall terminate this Agreement during such period as any purchaser of unitized substances exercises its right under the terms of any contract for the purchase of unitized substances to interrupt from time to time or to delay the taking of said unitized substances.

Under the Agreement, the working interest owners shall exercise over-all supervision and control of all matters pertaining to development and operation of committed tracts and unitized formations, and shall make such determinations and give such approvals as may be deemed appropriate for the supervision and direction of the Unit Operator. Each working interest owner shall have a voting interest equal to its unit participation. The Unit Operator shall have over-all supervision of all unit operations. The initial unit operator will be the Amerada Petroleum Corporation.

The Unit Operating Agreement and exhibits thereto have been reviewed as to legality by the office of the Attorney General, which has advised that the proposed Agreement conforms with applicable provisions of law and that it may be approved by the State Lands Commission subject to favorable findings by the staff as to administration and engineering feasibility and merit thereof.

The staff has reviewed the proposed Agreement and determined that unitization affords the most favorable way to meet present producing problems, while at the same time assuring equitable participation in the production.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THE ENTERING INTO AND THE PERFORMANCE OF THE RIO VISTA GAS UNIT AGREEMENT IS IN THE PUBLIC INTEREST; AND
2. APPROVE THE AFORESAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH THE ACCOMPANYING EXHIBITS, ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAWS.

EXHIBIT "A"
W.O. 5060

STATE LANDS COMMISSION

Rio Vista Gas Unit
E. 415.1, Rio Vista Gas Field, Contra Costa,
Sacramento, San Joaquin and Solano Cos.
Standard Oil Company of California

COM
LAN
PRC

May 1964

ADW

NO.
GRIMES
PRC 2908

GRIMES
PRC 2628

SUT ER

YOLO

S ONOMA

N A P A

S A C R A M E N T O

MAINE
PRAIRE
PRC 2850

LIBERTY
ISLAND

WALNUT
GROVE PRC 2966

S O L A N O

CACHE
SLOUGH

THORNTON
PRC 608

PRC 2892

KIRBY
HILLS
PRC 255

RIVER IS.
PRC 729 & 714

TYLER IS FARMS 4

RIO VISTA
E-415

W.O. 5060

McDONALD IS.
E 412
PRC 2839

C O N T R A C O S T A

LATHROP

S A N J O A Q U I N

McMULLIN
RANCH
PRC 2834

A L A M E D A

S T A N I S L A U S

S A N M A T E O

S A N T A C L A R A



SCALE

10 0 10 20 30 MILES

T. 5 N., R. 2 E.

T. 5 N., R. 3 E.

EXHIBIT "B"

W.C. 5060

STATE LANDS COMMISSION

Rio Vista Gas Unit

E. 415.1, Rio Vista Gas Field, Contra Costa

Sacramento, San Joaquin and Solano Cos.

Standard Oil Company of California

May 1964

ADW

N

0 1 2 4 miles

Scale

Approximate Area of E. 415.1

E. 415.1 Boundary

Rio Vista Gas Unit Boundary

SOLANO COUNTY

T. 4 N., R. 2 E.

Rio Vista

T. 4 N., R. 3 E.

T. 4 N., R. 4 E.

Isleton

SACRAMENTO COUNTY

T. 3 N., R. 3 E.

T. 3 N., R. 2 E.

RIVER

SAN JOAQUIN COUNTY

T. 3 N., R. 4 E.

SACRAMENTO RIVER

SAN

T. 2 N., R. 4 E.

SAN JOAQUIN

CONTRA COSTA COUNTY

T. 2 N., R. 3 E.

San Joaquin River

T. 2 N., R. 2 E.