

to the Fullerton Oil Company, Beloil Corporation Ltd., Neptune Corporation and Sexton Corporation in the manner proposed by the Fullerton Oil Company on December 7, 1949, pursuant to Lease P.R.C. 445 whereunder the successors of Lido assume all liabilities with respect to the Lido interest acquisition.

18. (Proposed Assignment - Oil and Gas Lease 91 (303-1921) - C. J. Mahoney - Elwood Oil Field) The Commission was informed that on November 10, 1949, an application was received from the Seaward Oil Company, Ltd., for the approval of the assignment of all the right, title and interest in, to and under, Oil and Gas Lease 91 (303-1921) from C. J. Ackert, formerly known as C. J. Mahoney, to the Seaward Oil Company, Ltd.

Oil and Gas Lease No. 91 (303-1921) was issued November 12, 1929, for a term of twenty years. Section 2 (1) of said lease provides that the Lessee agrees not to assign the lease or any interest therein, nor sub-let any portion of the leased premises, except with the consent in writing of the State first had and obtained. Section 12, Chapter 303, Statutes of 1921, specifies that no person, association of persons, or corporation shall take or hold, either directly or indirectly, permits or leases for oil or gas or interests therein exceeding 640 acres in the aggregate. Seaward Oil Company, Ltd., as the proposed assignee, has not transmitted any statement as to compliance with the above quoted section of Chapter 303 - 1921, but has stated that such data will be forthcoming.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to approve, effective November 10, 1949, the assignment of State Oil and Gas Lease No. 91 (303-1921) from C. J. Ackert, formerly known as C. J. Mahoney, to the Seaward Oil Company, Ltd., subject to the submission by the Seaward Oil Company, Ltd., of a statement of compliance with Section 12, Chapter 303 of the Statutes of 1921.

19. (Extension of Oil and Gas Lease 91 (303-1921) - Seaward Oil Company, Ltd., Elwood Oil Field, Santa Barbara County - W.O. 599 - P.R.C. 424) The Commission was informed that an application has been received from the Seaward Oil Company, Ltd., for renewal and extension of Oil and Gas Lease No. 91 (303-1921) Elwood Oil Field. State Oil and Gas Lease No. 91 (303-1921) was issued November 12, 1929, for an initial period of twenty years and provides for extensions of additional periods of ten years under such reasonable terms and conditions as the State may determine at time of renewal. It is proposed that the extension of Lease 91 be issued in the form attached which is a modification of the current standard Public Resources Code lease, but which is identical in context with the form approved by the Commission heretofore for all renewal and extensions of Chapter 303 - 1921 leases in the Elwood Oil Field. The proposed form of extension provides for a performance bond of \$15,000, and is acceptable to the Seaward Oil Company, Ltd., lessee (by virtue of approval of the assignment in the previous item) under State Oil and Gas Lease 91. The bases for the extension of the lease have been reviewed as to form by the office of the Attorney General.

Lease 91 (303-1921) required the drilling of nine wells (1 well for each 10 acres of leased area), of which only two were actually drilled. Additional wells would not be feasible economically and therefore it is suggested that any renewal and extension be for only twenty acres of area surrounding the existing wells.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to issue to the Seaward Oil Company, Ltd., a ten-year extension, effective November 12, 1949, for twenty acres of State Oil and Gas Lease No. 91, Elwood Field, Santa Barbara County, in the form proposed herewith,

subject to notice to the Department of the Interior, and the provisions if any, of the stipulation entered into between the Attorney General of the United States and the Attorney General of California, dated July 26, 1947, as extended in 1948 and 1949.

20. (Bid for oil and gas lease - 835 acres of tide and submerged lands - Huntington Beach - W.O. 404) The Commission was informed that on November 30, 1949, bids were received from the Southwest Exploration Company and a joint bid by Union Oil Company and Shell Oil Company in response to published notice of intention of the State Lands Commission to receive offers to enter into a lease for the extraction of oil and gas from 835 acres of tide and submerged lands situate offshore from Huntington Beach, Orange County, as authorized by the Commission (Minute page 889, Item 3). The Southwest Exploration Company offered a royalty bid factor of 1.10 and a royalty bid factor of 1.71 was offered in the unexecuted bid form submitted jointly by Union Oil Company and Shell Oil Company with a qualifying letter.

The bid offers have been reviewed by the Attorney General as to legal qualifications. An informal opinion has been furnished that the bid of the Southwest Exploration Company is qualified for consideration by the Commission and the joint bid of Union Oil Company and Shell Oil Company must be rejected because of deficiencies in the submission and the fact that the bid offer is not responsive to the published notice of intention.

Under the Union - Shell offer, the State was requested to furnish necessary drill sites and rights-of-way to the State land through condemnation of private upland. It is also offered that operations be conducted from drill sites located on filled lands. The Attorney General has given an informal opinion that the Commission might condemn lands for these purposes.

A brief resume of the factors considered in the staff review of the bids offered follows:

1. The Southwest Exploration Company offer is the only bid for the 835 acre tract of tide and submerged land to legally qualify under the published offer of the Commission to receive bids.
2. It has been known that higher royalty rates would be offered if drill sites could be made available by the Commission to all bidders (e. g. offer of Union Oil Company - Shell Oil Company).
3. Money for condemnation would have to be obtained through a deficiency appropriation as there is no current budget allocation for any eminent domain proceedings.
4. If all bids were to be rejected at the present time, and lands condemned for availability to all bidders, there is no assurance, of securing in the future a net advantage or even equally favorable royalty to the State
5. The bid of the Southwest Exploration Company is comparatively favorable inasmuch as, despite higher lease development costs, the offer equals the bid on which the adjoining inshore parcel was leased.

There are three alternatives that may be considered by the Commission: