

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:

Excerpt from Minutes of  
Meeting held Dec. 2, 1949  
at Sacramento

1. Accept the Southwest Exploration Company bid.
2. Accept the Union - Shell offer because it is the highest. This will require the State to condemn rights-of-way for access and pipe lines etc. to drill sites to be made on filled-in tidelands or condemned uplands.
3. Reject all bids, proceed under eminent domain to acquire all necessary sites, and re-offer oil and gas leases complete with all necessary operating sites and access, for bid.

Upon notice duly made and unanimously carried, a resolution was adopted deferring decision on award of a lease and taking the award under advisement, pending receipt from the Attorney General of formal opinion on (1) which bids qualify under the Commission's Notice of Intention to Receive Bids, and (2) whether the Commission has adequate powers of eminent domain for the acquisition of necessary sites and rights-of-way, and (3) whether the Commission may obtain immediate possession of drill sites through condemnation.

21. (Bid for Oil and Gas Lease - 640 acres of tide and submerged lands - Huntington Beach - W.O. 405) The Commission was informed that on November 30, 1949, bids were received from the Signal Oil and Gas 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 640 acres of tide and submerged lands situate offshore from Huntington Beach, Orange County, as authorized by the Commission (Minute page 889, Item 4). The Signal Oil and Gas Company offered a royalty bid factor of 1.1 and a royalty bid factor of 1.71 was offered in the letter of transmittal which accompanied the joint bid submission of Union Oil Company and Shell Oil Company.

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 Signal Oil and Gas 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 Signal Oil and Gas Company offer is the only bid for the 635 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.