

Numerous protests from property owners', sportsmen's, and other similar organizations from areas remote from the area proposed to be leased were received and filed. No interference with the recreational use of lands littoral to tidelands and submerged lands involved was alleged to be likely to occur.

Questioning of witnesses and discussion by the Commission was exhaustive.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED AS FOLLOWS:

THE EXECUTIVE OFFICER IS AUTHORIZED TO ISSUE AN OIL AND GAS LEASE TO RICHFIELD OIL CORPORATION, THE HIGHEST QUALIFIED BIDDER, IN ACCORDANCE WITH DIVISION 6 OF THE PUBLIC RESOURCES CODE FOR THE 1,175-ACRE PARCEL OF TIDE AND SUBMERGED LANDS IN THE RINCON AREA, VENTURA COUNTY, AS DETAILED IN THE PUBLISHED NOTICE OF INTENTION UNDER W.O. 1436. THE ROYALTY RATE BID FACTOR FOR SAID LEASE IS TO BE 5.2375, AS OFFERED BY THE RICHFIELD OIL CORPORATION IN THE BID FORM OF LEASE AND THE MINIMUM OIL ROYALTY RATE IS TO BE 30% AS OFFERED BY THE RICHFIELD OIL CORPORATION IN THE LETTER OF TRANSMITTAL OF JUNE 30, 1954.

4. (PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LANDS, HUNTINGTON BEACH, ORANGE COUNTY - W.O. 1809.) The following report was presented to the Commission by the Staff:

"The Commission has authorized the offer of oil and gas leases on 2,640 acres of tide and submerged lands at Huntington Beach, adjoining Newport Beach, Orange County (April 27, 1954, Item 5, pages 2057-58; July 28, 1954, Item 3, page 2106 and Item 4, pages 2106-07).

"Recent leasing experience has indicated the desirability of consideration of modification of some of the basic conditions of the standard lease offer to permit simplification of field operation and accounting requirements and to afford maximum clarity in the bases for competitive bidding within limitations which will assure bids in the best interest of the State.

"Specifically, the suggestions for modification of the present oil and gas lease form for tide and submerged lands are:

1. Calculation of lease royalties based on shipments from the lease instead of on production from the lease. This procedure would not affect the royalty return to the State in the aggregate but would permit simplified and more economical field operation, inspection and accounting.
2. In the case of a quitclaim of a portion of a lease, reservation to the State of reasonable drill sites and storage areas within the lease area not quitclaimed. Such areas could be indispensable for development in the event of re-leasing the quitclaimed areas. In addition, this requirement would assist in assuring that quitclaim was reasonably necessary in the first instance.

3. In the case of a quitclaim of a portion of a lease, an agreement by the lessee, at the option of the State, not to bid on a re-offer of the quitclaimed area. This requirement would preclude an otherwise unjustified quitclaim for the sole purpose of anticipated re-leasing of the quitclaimed area under a lower bid than the original.
4. Specification of the lease oil royalty rate to be in accordance with the following formula:

$$R = \frac{S - 36}{2.3 + 0.015 S}$$

Where R = royalty rate in per cent

S = average daily shipments from the lease during a calendar month

minimum royalty rate = 16-2/3%  
 maximum royalty rate = 60%

5. Successful bidder to be determined by highest cash bonus payment offered for lease by a qualified bidder."

The Executive Officer presented a letter from the Western Oil and Gas Association's Committee on Public Lands in which a request was made for additional time in which to consider the matter. Assurance was given by Mr. T. J. Moroney, representing that committee, that one month's time would be sufficient.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED THAT THE MATTER OF MODIFYING THE STANDARD FORM OF OIL AND GAS LEASE BE DEFERRED UNTIL THE NEXT MEETING OF THE COMMISSION.

5. (REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, SIGNAL OIL AND GAS COMPANY-HONOLULU OIL CORPORATION, COAL OIL POINT, SANTA BARBARA COUNTY - P.R.C. 308 AND P.R.C. 309.) The Commission's staff reported as follows:

"On March 26, 1954 (Minute Item 4, pages 2011-12), the Commission authorized the further deferment of drilling and operating requirements under Oil and Gas Leases P.R.C. 308 and P.R.C. 309 to January 1, 1955, subject to the express conditions that during the period of deferment, the Lessees would perform one of the following actions:

1. Initiate development on a lease.
2. Quitclaim the entire lease areas.
3. Present new, adequate bases, not considered heretofore, for consideration as to any further extension of the deferment of the operating and drilling requirements under the respective leases.