

6. (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:

"At its meeting on April 27, 1954 (Item 5, Minute pages 2057-58), the Commission 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. The offer of those lands for lease was deferred pending action then in process on an offer of an oil and gas lease off Rincon Point in Ventura County.

"On December 17, 1954 (Item 4, Minute pages 2195-96), the staff presented to the Commission some suggested changes in the provisions of the proposed leases for the lands authorized to be offered for lease at the April meeting. At that time the Public Lands Committee of the Western Oil and Gas Association presented to the Commission a request that consideration and action on these proposed changes be deferred until that Committee had had an opportunity to study the proposals and make recommendations with respect thereto. Accordingly the Commission directed the deferral of action on the matter until its next meeting.

"Under date of January 19, 1955, the Public Lands Committee of the Western Oil and Gas Association addressed a letter to the Chairman of the State Lands Commission, which reads as follows:

'January 19, 1955

'Mr. Robert E. Kirkwood, Chairman  
State Lands Commission  
1114 Capitol  
Sacramento, California

'Dear Mr. Kirkwood:

'Please refer to Agenda Item #21 entitled, 'Oil & Gas' for the meeting of the State Lands Commission in Sacramento on December 17, 1954. You will recall that, as Chairman of the Public Lands Committee of the Western Oil and Gas Association, I had requested that action by the State Lands Commission on the recommendations of the Commission's Staff be deferred until such time as my Committee had had time to analyze the Staff's proposals and to make recommendations thereon.

'This will advise you that the Public Lands Committee of the Western Oil and Gas Association under date of December 10, 1954 submitted to the Senate Interim Committee on Oil and Gas Development on State Lands, of which Senator James E. Cunningham is Chairman, the final recommendations of the Public Lands Committee and the

Board of Directors of the Western Oil and Gas Association with respect to the revision of the Public Resources Code of the State of California which it deems necessary and advisable in regard to the leasing of State lands.

'In view of the position of the Public Lands Committee as expressed to Senator Cunningham's Committee, which position is in substantial conflict with the recommendations of the State Lands Commission Staff, the Public Lands Committee hereby reaffirms the position of the Association as expressed to the Senate Interim Committee.

'Notwithstanding our opposition in principle to the Staff's proposals, we will interpose no objection to the application of the recommendations of the Commission's Staff to the proposed Oil and Gas Lease of Tide and Submerged Lands at Huntington Beach, Orange County, California - W.O. 1809.

Very truly yours,

/s/ A. C. Mattei  
A. C. Mattei, Chairman  
Public Lands Committee  
Western Oil & Gas Association'

"As stated in this letter, the matter of changes in the Public Resources Code will be before the State Legislature during the current session, and some of the changes recommended by the staff to the Commission at the meeting of December 17, 1954, may be the subject of proposed legislation. In view of this, it now appears to be premature to recommend that any substantial changes be made in the terms of leases to be offered by the Commission until the outcome of pending legislation is known."

The recommendations made by the staff to the Commission at its meeting on December 17, 1954 were withdrawn, having in mind that the offer of the subject lands for lease would be made under the original authority granted by the State Lands Commission on April 27, 1954. However, representatives of the Standard Oil Company of California, of the Western Gulf Refining Company, and of the Humble Oil and Refining Company, in speaking with regard to the proposed lease, all indicated definite endorsement of the recommendation made by the Executive Officer at the meeting of December 17, 1954.

The Executive Officer explained that he had received the recommendations of the Public Lands Committee of the Western Oil and Gas Association on January 20, 1955 and that that was the only expression with regard to the proposals of December 17, 1954 expressed by any members of the industry. In view of the endorsements made at this current meeting, the Executive Officer stated that he would return to his recommendation of December 17, 1954.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE COMMISSION AUTHORIZED THE EXECUTIVE OFFICER TO INCLUDE THE FOLLOWING MODIFICATIONS IN THE STANDARD FORM OF OIL AND GAS LEASE TO BE SPECIFIED IN THE LEASE OFFER FOR 2,640 ACRES OF TIDE AND SUBMERGED LANDS AT HUNTINGTON BEACH (W.O. 1809):

1. CALCULATION OF LEASE ROYALTIES TO BE BASED ON AVERAGE DAILY SHIPMENTS FROM LEASE DURING CALENDAR MONTH.
2. IN THE EVENT OF PARTIAL QUITCLAIM, RESERVATION TO THE STATE OF REASONABLE DRILL SITES AND STORAGE AREAS WITHIN THE LEASE AREA NOT QUITCLAIMED.
3. IN THE EVENT OF A PARTIAL QUITCLAIM, AN AGREEMENT BY THE LESSEE, AT THE OPTION OF THE STATE, NOT TO BID ON ANY RE-OFFER OF THE QUITCLAIMED AREA.
4. LEASE OIL ROYALTY RATE TO BE IN ACCORDANCE WITH THE FORMULA:

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

WHERE R = ROYALTY RATE IN PER CENT

S = AVERAGE DAILY LEASE SHIPMENTS DURING 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.

7. (APPLICATION FOR A COMPENSATORY ROYALTY AGREEMENT, ANAHEIM BAY, ORANGE COUNTY, HANCOCK OIL COMPANY - W.O. 1875, P.R.C. 1482.1.) The following report was presented to the Commission by the staff:

"An application has been received from Hancock Oil Company, a Delaware corporation, for consideration of a compensatory royalty agreement, whereunder the State would be compensated for drainages from State tide and submerged lands in the Anaheim Bay area, Orange County, from wells drilled and produced by the Hancock Oil Company on leased uplands surrounding the State lands. Such compensation would be in lieu of drilling offset wells upon the State lands.

"Section 6815 of the Public Resources Code provides: 'Whenever it appears to the commission that wells drilled on private lands are draining or may drain oil or gas from lands owned by the State, the commission may enter into agreements with the owners or operators of such wells for the payment of compensation to the State for such drainage, in lieu of drilling offset wells upon such State lands'.