

18. (PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LANDS, HUNTINGTON BEACH, ORANGE COUNTY - W.O. 1864(B).) The following report was presented to the Commission:

"On February 3, 1955 (Minute Item 3, pages 2258-2263) the Commission authorized preparation of a form of oil and gas lease and publication of notice of intention to receive bids for approximately 640 acres of tide and submerged land bounded on the west by Oil and Gas Lease P.R.C. 1524.1 and on the east by the area proposed to be offered for lease under W.O. 1809. The lease offer was to be subject to presentation to the Commission of a staff recommendation relative to a finding that oil or gas deposits are known or believed to be contained in the lands offered prior to presentation of any recommendation for award of lease pursuant to bids received under the offer.

"On March 10, 1955 (Minute Item 3, pages 2275-2280) the Commission directed the inclusion of the 640-acre parcel proposed to be offered under W.O. 1864(B) in the scope of the study to be conducted by special Board of Consultants on the lease offer. The report by Consulting Engineer E. R. Stanley, submitted June 30, 1955 (copy attached to preceding calendar item) concludes in part that '... It is our opinion that parcel W.O. 1864(B) is being subject to drainage by the extraction of oil and gas from the Townsite and Atlanta Avenue pools' and 'alleviation of the serious drainage and pressure depletion is desirable, and we recommend that the parcel(s) previously designated as leasing project(s) W.O. 1864(B) ... be offered for lease at an early date.'

"Area developments since February 3, 1955 have been reviewed and the conclusions as to drainage are concurred in by the staff.

"The technical amendment of the definition of an oil and gas zone proposed by Mr. Stanley for incorporation in the bid-lease form under W.O. 1809 would be applicable equally to a lease-bid form for utilization in the proposed subject lease offer.

"In addition, the recommendations of Consultants Bennett and Homan as reviewed and concurred in for the proposed lease offer W.O. 1809 are equally applicable to the subject proposed lease.

"An informal opinion has been received from the Office of the Attorney General indicating that legally it would be more advantageous to issue the currently proposed oil and gas lease under existing law in preference to waiting for the effective date of A.B. 3402."

J. M. Wootan suggested leasing should await operating procedures potentially available under A.B. 3402, and protested that application of the 500-foot setback provision would restrict State's lessors without accomplishing aesthetic improvement in upland drilling area.

R. F. Bauer also suggested that leasing should be considered only under flexibility of A.B. 3402 when approved, particularly because of an alleged bid advantage if platforms can be planned in lieu of filled islands. This presentation was supported by P. Lower and J. Leovy who contended that discussion in the Legislature indicated that any leasing should await revised statutes.

R. Barrows recommended consideration of elimination of requirement for any bidder for an offshore lease to show advance possession of onshore storage and operating sites other than drillsites.

J. Bridges commented that consideration should be given to limitation of reasons for rejection of any future lease bids to conditions of connivance or collusion.

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

1. THE COMMISSION FINDS THAT IT APPEARS THAT OIL OR GAS DEPOSITS ARE KNOWN OR BELIEVED TO BE CONTAINED IN THE TIDE AND SUBMERGED LANDS TO BE OFFERED FOR LEASE, AND THAT SUCH LANDS MAY BE OR ARE BEING DRAINED BY WELLS ON ADJACENT LANDS.
2. THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER TO PREPARE A FORM OF OIL AND GAS LEASE AND PUBLISH A NOTICE OF INTENTION TO RECEIVE BIDS IN ACCORDANCE WITH THE PUBLIC RESOURCES CODE FOR ONE PARCEL OF TIDE AND SUBMERGED LANDS IN ORANGE COUNTY, BOUNDED ON THE WEST BY THE EASTERLY LINE OF OIL AND GAS LEASE P.R.C. 1524.1, ON THE EAST BY THE WESTERLY BOUNDARY OF THE PROPOSED LEASE OFFER UNDER W.O. 1809(A), ON THE NORTH BY THE ORDINARY HIGH WATER MARK OF THE PACIFIC OCEAN, AND ON THE SOUTH BY A LINE ONE MILE DISTANT FROM AND PARALLEL WITH SAID ORDINARY HIGH WATER MARK, AS AUTHORIZED PREVIOUSLY ON FEBRUARY 3, 1955 (MINUTE ITEM 3, PAGES 2258-2263) SUBJECT TO THE FOLLOWING:
 - A. THE LEASE OPERATING TERMS AND CONDITIONS SHALL CONFORM TO THE CONDITIONS AUTHORIZED PREVIOUSLY AND APPROVED AS TO FORM BY THE OFFICE OF THE ATTORNEY GENERAL FOR OIL AND GAS LEASE P.R.C. 1524.1.
 - B. SPECIFICATION OF LEASE OIL ROYALTY RATE TO BE IN ACCORDANCE WITH THE FOLLOWING FORMULA:
$$R = \frac{S}{3 + 0.01S}$$
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%
 - C. SECTION 4, EXHIBIT A, OF THE PROPOSED LEASE FORM TO BE AMENDED TO CONFORM TO THE DEFINITION OF AN OIL AND GAS ZONE AS RECOMMENDED BY CONSULTANT E. R. STANLEY.

- D. THE LEASE OFFER SHALL PROVIDE FOR BIDDING ON A BONUS BASIS.
- E. CURRENT REQUIREMENTS FOR A BIDDER TO SHOW EVIDENCE OF CONTROL OF SITES FOR STORAGE AND OTHER PROCESSING FACILITIES ARE TO BE ELIMINATED.
- F. THE LEASE SHALL REQUIRE:
- (1) THAT NO OPERATIONS REQUIRED UNDER THE LEASE SHALL BE CONDUCTED ON THE SURFACE WITHIN ONE HUNDRED (100) FEET OF THE LANDWARD SIDE OF U. S. HIGHWAY 101 EASTERLY OF STATE HIGHWAY 39.
 - (2) THE OPERATOR SHALL REMOVE THE DERRICK FROM EACH WELL WITHIN SIXTY (60) DAYS AFTER THE DRILLING OF SAID WELL HAS BEEN COMPLETED, AND THEREAFTER, WHEN NECESSARY, SUCH COMPLETED WELLS SHALL BE SERVICED BY PORTABLE DERRICKS.
 - (3) THE DRILLSITE SHALL BE LANDSCAPED WITH SHRUBBERY, OR FENCED, SO AS TO SCREEN FROM PUBLIC VIEW AS FAR AS POSSIBLE, THE TANKS, PUMPS OR OTHER PERMANENT EQUIPMENT. SUCH LANDSCAPING AND SHRUBBERY, OR FENCING, TO BE KEPT IN GOOD CONDITION.
 - (4) ALL OIL DRILLING AND PRODUCTION OPERATIONS SHALL BE CONDUCTED IN SUCH A MANNER AS TO ELIMINATE, AS FAR AS PRACTICABLE, DUST, NOISE, VIBRATION OR NOXIOUS ODORS.
 - (5) ALL WASTE SUBSTANCES SUCH AS DRILLING MUDS, OIL, BRINE OR ACIDS PRODUCED OR USED IN CONNECTION WITH OIL DRILLING OPERATIONS OR OIL PRODUCTION SHALL BE RETAINED IN WATER-TIGHT RECEPTORS FROM WHICH THEY MAY BE PIPED OR HAULED FOR TERMINAL DISPOSAL IN A DUMPING AREA SPECIFICALLY APPROVED FOR SUCH DISPOSAL BY LOCAL AUTHORITIES.
 - (6) NO SIGN SHALL BE CONSTRUCTED OR ERECTED, MAINTAINED OR PLACED ON THE PREMISES EXCEPT THOSE REQUIRED BY LAW OR ORDINANCE TO BE DISPLAYED IN CONNECTION WITH THE DRILLING OR MAINTENANCE OF THE WELL.
 - (7) SUITABLE AND ADEQUATE SANITARY TOILET AND WASHING FACILITIES SHALL BE INSTALLED AND MAINTAINED IN A CLEAN AND SANITARY CONDITION AT ALL TIMES.