

19. (GEOLOGICAL AND GEOPHYSICAL SURVEY PERMITS - W. O. 1855.) The following report was presented to the Commission:

"At the meeting of February 9, 1956 the Commission requested the Western Oil and Gas Association and directed the staff to present full analyses of the problems attendant to specification of any geological or geophysical exploration survey permit requirement that exploration results be made available to the Commission for utilization in the classification of State lands considered for oil and gas lease offer under the Public Resources Code. On April 12, 1956 (Minute Item 9, pages 2607-2612) the Commission assented to the request of the Western Oil and Gas Association to allow until May 15, 1956 for the presentation of the required reports and analyses. In accordance with this deferment, the Western Oil and Gas Association presented a letter report on May 15, 1956, the recommendations of which are quoted below:

1. That no disclosure of the geologic information or results obtained in geophysical exploration on tide or submerged lands should be required.
2. That core drilling operations should be allowed without permit on unleased tide and submerged lands to depths not exceeding 1,000 feet below the ocean floor, without requiring disclosure of geological information or results obtained, but with the requirement that the operator give the Commission prior written notice of intention to conduct such operations, stating the general area in which the operations will be conducted.
3. That upon application, specifying the maximum depth to which the operator will drill and the general area in which operations will be conducted, the Commission issue permits for core drilling operations on unleased tide and submerged lands to depths greater than 1,000 feet below the ocean floor, requiring as a condition of such permits that the permittee furnish the Commission a true and correct copy of the driller's log of formations penetrated at depths exceeding 1,000 feet below the ocean floor, including a conventional electric log of such formations if one is run, and such other information as may be obtained in core drilling at such depths pertaining to showings of oil and gas in the core holes.
4. That the Commission require permits for all geophysical exploration and core drilling operations on tide and submerged lands under lease from the State of California, without requiring the disclosure of geologic information or results obtained, except as above provided with respect to core holes drilled deeper than 1,000 feet below the ocean floor; such permits not to be issued without prior consultation with the lessee of the lands to assure that such operations will not interfere with, or constitute a hazard to, the lessee's operations.

"As reported previously (Calendar Item 33, pages 13-17a, meeting of April 12, 1956), Opinion No. 969 of the Office of the Legislative Counsel was published in the Assembly Daily Journal March 27, 1956, relating to the power of the State Lands Commission to offer for bid oil leases on tide and submerged land 'not within the known geologic structure' without first obtaining 'facts on which such a determination can be reasonably based'. Also on April 6, 1956, an informal opinion on the same general subject was received from the office of the Attorney General. Section 6827, Public Resources Code, specifies the bases for offering State lands for oil and gas lease dependent upon the classification of the lands as being within or without the known geologic structure of a producing oil or gas field as determined by the Commission. In conformance with the afore-mentioned opinions, it does not appear that such classification may be made properly by the Commission as to specific lands in those instances where there is not a reasonable degree of factual basis for the support of the classification. In addition, the staff has reported heretofore that the most complete determination of such classification of State lands for recommendation to the Commission can only be made by evaluation of all development and exploratory data which may have been developed for the specific lands.

"The proposal by the Western Oil and Gas Association 'that core drilling operations should be allowed without permit on unleased tide and submerged lands to depths not exceeding 1,000 feet below the ocean floor, without requiring disclosure of geologic information or results obtained . . .' would result in a development of the majority of the exploratory geologic data desired from tide and submerged lands without any control over the conduct of the operations and with complete exclusion of the State from access to such data. Section 2100(b) of the Commission's rules and regulations requires that a permit must be obtained for the conduct of core-drilling operations at depths of 500 feet or more below the surface of the ocean floor. Consideration of modification of this maximum depth of 500 feet for non-permit operations to conform to the suggested 1,000 feet maximum, would require deferment of consideration on seven pending applications for geological survey permit until the rules and regulations could be amended in accordance with the prescribed procedures. Finally, authorization to conduct core-drilling operations to 1,000 feet on leased lands without disclosure of geologic information or results obtained would give a permittee an information advantage over the actual lessee of the lands, inasmuch as such lessee is required to furnish to the State full data on all operations conducted under the lease.

"IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO UTILIZE THE PERMIT FORM ATTACHED IN THE ISSUANCE OF ANY PERMITS AUTHORIZED FOR THE CONDUCT OF GEOLOGICAL SURVEYS ON TIDE AND SUBMERGED LANDS, FOR ALL SURVEY OPERATIONS INVOLVING DEPTHS IN EXCESS OF 500 FEET BELOW THE SURFACE OF THE OCEAN FLOOR.

"IT IS ALSO RECOMMENDED THAT THE COMMISSION ESTABLISH THE FOLLOWING AS A SPECIFIC CONDITION FOR ANY GEOPHYSICAL EXPLORATION PERMIT ISSUED HEREAFTER:

THE COMMISSION RESERVES THE RIGHT TO INSPECT AND, UPON DEMAND BY THE COMMISSION, THE PERMITTEE SHALL MAKE AVAILABLE FOR SUCH INSPECTION, ALL EXPLORATION RESULTS, LOGS, AND RECORDS RESULTING FROM THE OPERATIONS UNDER THE PERMIT FOR THE CONFIDENTIAL INFORMATION OF THE COMMISSION FOR THE SOLE PURPOSE OF ITS DETERMINING WHETHER THE AREAS OR ANY PORTION THEREOF EMBRACED WITHIN THE PERMIT LIE WITHIN THE KNOWN GEOLOGIC STRUCTURE OF A PRODUCING OIL OR GAS FIELD."

The Executive Officer stated that the Association does not want to disclose any information obtained from geophysical permits (seismographic operations), and that the staff's recommendations are that those results be made available; that the Association recommended increasing the present depth for core holes allowed without a permit to 1,000 feet, requiring a change in the rules, which would take some time to process; and that in the zone between 500 feet and 1,000 feet the staff was recommending that full information be disclosed on core drilling, whereas the Association was recommending that no information be made available between 500 and 1,000 feet. Beyond 1,000 feet the staff and the Association appeared to be in agreement with reference to core drilling permits, because the Association agreed to make this information available for inspection. A further difference lay in the Association's proposal No. 4, which applied to lands which the Commission had under lease. The Executive Officer reported that the Commission had approved and lessees had accepted permits of this character which require full disclosure of information, whereas those who are not lessees want to have special privileges by applying different conditions regarding disclosure of information. They also want to drill to any particular depth they choose, whereas the staff proposal is to limit the drilling depth to the point where it reaches the first competent stratigraphic bed beneath the ocean floor, which condition would lessen the probability of getting into oil sands.

The Chairman pointed out that the Commission had on its current calendar seven applications for core drilling permits, and asked if those requests were in conformation with the general rule being presented. The Executive Officer reported that the requests on the calendar were normal letter requests; the terms of the permits have yet to be determined, but the applicants have not yet agreed or disagreed.

Assemblyman Allen Miller, Chairman of the Subcommittee of the Assembly Committee on Conservation, Planning and Public Works, stated that if core-drilling permits were to be issued, they should be issued in all cases regardless of depths. However, he felt that the issuance of further geophysical and geological permits should be deferred until after his committee had made further investigations.

Assemblyman Bruce Allen of the same committee was of the opinion that at present the Commission is in the position of having no information at all as to whether the existing 500-foot depth limitation was being adhered to, or as to what oil companies were engaged in core drilling.

Assemblyman Joseph C. Shell queried as to how the Commission could determine the location of oil sands without permitting drilling into such oil sands. Mr. Hortig answered that this could not be done, but that the object was to avoid penetration into oil sands.

In response to a question raised by Assemblyman Unruh to the effect that if companies did core into oil sands, could such lands be classified as containing a known geological structure of a producing oil and gas field in the absence of an adjacent producing field, Mr. Hortig replied in the negative. In this connection Mr. Kirkwood asked whether such information would be helpful in establishing the limits of a known geological structure, and was advised by the staff that it would.

Mr. Kirkwood pointed out that in the permit there was no requirement that the core-drilling operations be conducted with whatever safety devices might be necessary, and asked if the ability of the Commission to revoke permits was considered an adequate safeguard, or why there was not specific reference to such safety devices. Mr. Hortig replied that it was presumed that all applicable laws would also govern, and that the requirements of the Division of Oil and Gas and of the Department of Fish and Game would still be applicable, even though not specifically enumerated. He said further that these are not the sum total of all administrative law which would be applicable.

Mr. A. C. Ruble, speaking as Chairman of the Committee on Offshore Operations for the Western Oil and Gas Association, and also as a representative of his company, the Union Oil Company, endorsed the recommendations of the Western Oil and Gas Association and stated in support of his endorsement that if the industry were to be required to disclose information resulting from their geological surveys, offshore operations would be slowed down to the distinct detriment of the interests of the State of California. As to geophysical surveys, he felt that they were subject to misinterpretation and the information obtained therefrom would be of little or no value. He further stated that they had selected the 1,000-foot depth, below which they would be agreeable to the issuance of permits if this was selected as a starting point, because the industry felt that information obtained above that depth would be of comparatively little value to either the industry or the State.

Mr. Paul K. Home, representing the Standard Oil Company of California, endorsed the position taken by the Western Oil and Gas Association, with the further recommendation that permittees release to the public information as to drilling into oil sands regardless of depth. Later on in the discussion he indicated that he would prefer the issuance of permits immediately, regardless of conditions imposed by the Commission, to deferring action pending additional review by the Commission of the matter of depths and disclosure of information. In this connection he indicated that if paragraph five of the proposed form of permit for the conduct of geological surveys were amended so that the expression "all exploration results, etc." were amended to read "all factual or physical exploration results, etc.", he felt his company would be agreeable to that language. He further objected to the expression contained in paragraph one of the proposed permit form to the effect that excavations below 500 feet be limited to a depth "no greater than that required to determine the location of first competent stratigraphic bed beneath the ocean floor", and indicated

the acceptance of a suggestion made by Mr. Pyles of the Monterey Oil Company that the quoted expression read "greater than that required to determine the location of the first competent or correlative stratigraphic bed beneath the ocean floor".

In response to questions by the Chairman, the Executive Officer stated that the Commission was not in a position to proceed with the issuance of the two geophysical and seven geological permits which were up for consideration until a decision could be reached on disclosure of information. He explained that such disclosure was not intended to apply to permits issued in the past; rather, the proposed restrictions would apply only to those permits issued from now on out.

Further discussion was had with respect to the requirement that geological permits be issued in all cases for operations where penetration of the sea bed exceeds 500 feet. It was finally suggested that the matter of the limiting minimum depth be left at 500 feet for the present, but that the staff would make further investigations with a view of recommending to the Commission whatever changes in this limiting depth might appear to be advisable.

Mr. E. E. Pyles, appearing for the Monterey Oil Company and for the Texas Company, stated that both companies would accept the permits applied for, with the conditions in the permit form presently under consideration. He suggested, however, that the maximum depth be limited to that necessary to determine the location of the "first competent or correlative stratigraphic bed beneath the ocean floor". He further stated that any additional delays resulting from the nonissuance of permits at this time would constitute a severe burden.

Mr. J. G. Leovy, on behalf of the Western Gulf Oil Company, concurred in most particulars with the position taken by Mr. Home of the Standard Oil Company. However, he felt that a definite depth limit should be fixed for core drilling.

Speaking for the Honolulu Oil Corporation, Mr. T. C. Moroney felt that the State Lands Commission and its staff could make determinations of the existence of known geologic structures without requiring disclosure of core-hole drilling information or of geophysical information. He indicated that this was being done by the State of Louisiana at the present time, even though the latter state at one time had required the furnishing of such information and had later discontinued that requirement in view of what was alleged to be unsatisfactory results. Mr. Hortig believed that Mr. Moroney's statement was in error in that actually the administrative bodies in Texas and Louisiana have no statutory obligation to classify lands in advance of offering them for lease.

The District Attorney of Santa Barbara County, Mr. Vern B. Thomas, raised a question as to whether or not any limitation was proposed to be established with reference to the distance from shore for permitting core drilling, and was informed by the staff that there was no such limitation on core drilling.

Mr. Kirkwood then stated that he thought that the Commission should issue permits requiring disclosure of information at this time, incorporating the clarifying amendatory language previously discussed. He further suggested the 500-foot limitation for the present time, with additional investigation to be made by the staff with a view to its making subsequent recommendations for a modification of this limitation.

The Chairman stated that there were two alternatives possible: First, the Commission could act on the recommendations of the staff with the modifications currently suggested, or, secondly, it could defer action until the next meeting. Mr. Ruble recommended some action by all means at this time. Mr. Paul A. Lower of The Superior Oil Company stated that his company was not willing to disclose any geophysical information, and felt that there would be difficulties confronting the State Lands Commission and its staff in connection with holding the information obtained confidential in view of the fact that while the Public Resources Code provided statutory authority for the Division of Oil and Gas to hold certain of its information confidential, no such specific authority existed in the case of the State Lands Commission.

The Chairman then asked Mr. Allen Miller for any final comments with respect to this whole matter. The latter indicated that the action recommended to be taken by the Commission was somewhat contrary to the feelings of his committee, but that that was the Commission's prerogative and right.

Lieutenant Governor Powers stated that at present it would be impossible to disagree with the recommendations of the Commission's technical staff and, while he might disagree at some future time or wish to give the problems additional consideration, he felt that he had to uphold the staff currently and follow their recommendations.

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO UTILIZE THE PERMIT FORM, COPY OF WHICH IS ATTACHED HERETO AND MADE A PART HEREOF, IN THE ISSUANCE OF ANY PERMITS AUTHORIZED FOR THE CONDUCT OF GEOLOGICAL SURVEYS ON TIDE AND SUBMERGED LANDS, FOR ALL SURVEY OPERATIONS INVOLVING DEPTHS IN EXCESS OF 500 FEET BELOW THE SURFACE OF THE OCEAN FLOOR; FURTHERMORE,

THE COMMISSION ESTABLISHES THE FOLLOWING AS A SPECIFIC CONDITION FOR ANY GEO-PHYSICAL EXPLORATION PERMIT ISSUED HEREAFTER:

THE COMMISSION RESERVES THE RIGHT TO INSPECT AND, UPON DEMAND BY THE COMMISSION, THE PERMITTEE SHALL MAKE AVAILABLE FOR SUCH INSPECTION, ALL FACTUAL AND PHYSICAL EXPLORATION RESULTS, LOGS, AND RECORDS RESULTING FROM THE OPERATIONS UNDER THE PERMIT FOR THE CONFIDENTIAL INFORMATION OF THE COMMISSION FOR THE SOLE PURPOSE OF ITS DETERMINING WHETHER THE AREAS OR ANY PORTION THEREOF EMBRACED WITHIN THE PERMIT LIE WITHIN THE KNOWN GEOLOGIC STRUCTURE OF A PRODUCING OIL OR GAS FIELD.

W. O. _____

P.R.C. _____

Date _____

PERMIT FOR THE CONDUCT OF GEOLOGICAL SURVEYS
ON TIDE AND SUBMERGED LANDS OF THE STATE OF CALIFORNIA

Permission is granted hereby to _____
for the conduct of geological surveys during the period _____
to _____, inclusive, on those tide and submerged
lands under the jurisdiction of the State Lands Commission

The conduct of geological sampling operations is authorized hereunder, including core drilling, electric logs, side wall sampling, and other operations (but excluding geophysical operations), subject to the following specific conditions:

1. No hole shall be drilled, punched, jetted or otherwise excavated below a depth of 500 feet below the ocean floor to a depth greater than that required to determine the location of the first competent or correlative stratigraphic bed beneath the ocean floor.
2. For each survey crew in operation, the permittee shall make an advance deposit of \$600 before the commencement of operations under this permit, and \$600 every calendar month thereafter, as a minimum deposit to defray the costs of the State Lands Division that are involved in inspection under this permit. Actual costs to the State Lands Division of such inspection which are in excess of the aforesaid minimum deposit shall be remitted by the permittee upon receipt of a statement of such additional costs.

3. The permittee agrees to indemnify the State against any and all losses, damages, claims, demands or actions caused by, arising out of, or connected with the operations of the permittee hereunder including but without thereby limiting the generality of the foregoing provisions of this paragraph, any loss, damage, claim, demand, or action caused by, arising out of, or connected with any blowout, fire or explosion resulting from any operations conducted under this permit.
4. Operations shall be suspended on order of the State Lands Division Inspector whenever and for such time as may be required to establish that the conditions of this permit are being complied with, or upon violation of any of the provisions of this permit. Such violation may result in termination of the permit by order of the Executive Officer, State Lands Commission.
5. The Commission reserves the right to inspect and, upon demand by the Commission, the permittee shall make available for such inspection, all factual and physical exploration results, logs, and records resulting from the operations under the permit, for the confidential information of the Commission for the sole purpose of its determining whether the areas or any portion thereof embraced within the permit lie within a known geologic structure of a producing oil or gas field.

This permit is revocable at any time by the State Lands Commission.

STATE LANDS COMMISSION

RUFUS W. PUTNAM
Executive Officer

All terms, conditions and provisions of the foregoing permit are accepted by the applicant.

BY _____

DATE _____