

Union Oil Company of California
R. F. Bauer
Sam Grinsfelder
Earl M. Welty

Western Gulf Oil Company
J. G. Leovy
W. S. McEach
Emmons Sebenius

1. UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE MINUTES OF THE MEETINGS OF JUNE 29, 1956, OF JULY 2, 1956, OF JULY 12, 1956, AND OF JULY 24, 1956 WERE CONFIRMED AS WRITTEN AND MAILED TO MEMBERS OF THE COMMISSION.
2. THE DATE OF THE NEXT MEETING OF THE COMMISSION WAS LEFT OPEN, SUBJECT TO LATER DETERMINATION, WITH AN UNDERSTANDING THAT AN ATTEMPT WOULD BE MADE TO HOLD IT ABOUT SEPTEMBER 15 TO 20, AND THAT IF POSSIBLE AND CONVENIENT TO THE MEMBERS OF THE COMMISSION IT WOULD BE HELD IN LOS ANGELES.
3. (OIL AND GAS LEASE APPLICATION, SECTION 6871.3 PUBLIC RESOURCES CODE, SANTA BARBARA COUNTY - W. O. 2253.) The following report was presented to the Commission:

"On May 18, 1956 (Minute Item 17, page 2686) the Commission authorized the Executive Officer to proceed with the processing for lease offer for the extraction of oil and gas from approximately 5,500 acres of tide and submerged lands in the Summerland area, Santa Barbara County. Pursuant to authorization by the Commission on January 19, 1956 (Minute Item 5, page 255-57) notice of consideration for lease offer was published and transmitted to the Board of Supervisors, County of Santa Barbara; the Mayor of the City of Santa Barbara; and the Director of Natural Resources. In accordance with the Public Resources Code, the notice specified that any affected city or county might request, in writing to the State Lands Commissioner, that a hearing be held with respect to the offering of a lease prior to April 1, 1956. No requests for a hearing were received. However, it was reported that the Board of Supervisors had determined not to request a hearing on the understanding that the same rules, regulations, and protective lease conditions effective for Lease W. O. 2046 (500-acre lease within a known geologic structure issued to Tidewater Oil Company July 2, 1956) would be applied to any lease offer for the subject area. After inspection of the subject area, the Planning Consultant has recommended that the control conditions included in the aforesaid Lease W. O. 2046 be applied to any lease offer of the 5,500-acre parcel under consideration. The consulting geologist has reported that, in his opinion, 'the 5,500 acres should be classified in accordance with Section 6827 of the Public Resources Code as being "not within the known geologic structure of a producing oil or gas field"'. "

The Chairman questioned the staff as to how long it would take to process this lease application and make it operative, and was informed that it would be approximately 90 days before bids could be presented to the Commission.

Mr. Kirkwood inquired about the area included in the proposed offer, and was informed by the staff that it did not contain the 500-acre area previously discussed on which Lease W. O. 2046 (P.R.C. 1744.1) had been issued. Mr. Kirkwood then asked if the 5,500 acres included in this offer was the maximum allowed under the law, and it was pointed out that the maximum area which can be included in any one offer was 5,760 acres.

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

1. THE COMMISSION DETERMINES THAT THE 5,500 ACRES OF TIDE AND SUBMERGED LANDS IN THE SUMMERLAND AREA, SANTA BARBARA COUNTY, UNDER CONSIDERATION UNDER W. O. 2253, ARE LANDS NOT WITHIN THE KNOWN GEOLOGIC STRUCTURE OF A PRODUCING OIL OR GAS FIELD;
2. THE EXECUTIVE OFFICER IS AUTHORIZED TO OFFER FOR LEASE, PURSUANT TO SECTION 6827 OF THE PUBLIC RESOURCES CODE, THE SUBJECT 5,500 ACRES OF TIDE AND SUBMERGED LANDS;
3. THE EXECUTIVE OFFICER IS AUTHORIZED TO UTILIZE THE FORM OF LEASE APPROVED FOR W. O. 2046 FOR THE PURPOSE OF THE LEASE OFFER, SUBJECT TO THE FOLLOWING MODIFICATIONS:
 - (1) OIL ROYALTY RATE $12\frac{1}{2}$ PER CENT AND GAS AND GASOLINE ROYALTY RATE 10 PER CENT, AS SPECIFIED BY SECTION 6827 OF THE PUBLIC RESOURCES CODE, FOR LANDS NOT WITHIN THE KNOWN GEOLOGIC STRUCTURE OF A PRODUCING OIL OR GAS FIELD.
 - (2) PRIMARY LEASE TERM OF FIVE YEARS, AS AUTHORIZED BY SECTION 6829.1 OF THE PUBLIC RESOURCES CODE.

Subsequent to approval of the afore-mentioned lease offer, Assemblyman Allen Miller and members of his Subcommittee of the Assembly Committee on Conservation, Planning and Public Works appeared at the meeting and asked to review this item. For Mr. Miller's benefit, Mr. Hortig pointed out on a map the area under consideration. In response to a question by Mr. Miller as to whether there had been any core-hole drilling in the area, Mr. Hortig reported that he did not know of any, and went on to say that the staff had made a review of the area which was based on previous work in the surrounding vicinity, that the 500 acres on which a lease has been issued are all that are known to be within a known geologic structure of a producing oil and gas field, and that by a process of elimination the remainder of the area therefore must be not within a known geologic structure of a producing oil or gas field. Upon further questioning by Mr. Miller, it was brought out that permits for seismicographic exploration work have been issued for the offshore area in Santa Barbara County, but the information from these has not yet been reduced to a form which could be inspected by the Commission, and it would be a considerable period of time, perhaps a year, before this information might be available.

Mr. Miller remarked that if such data was going to be available, it should be taken into consideration before arriving at a conclusion.

Mr. Miller asked if it was the intention to seek any additional data before accepting bids on the area under consideration, and was informed that there was no such intent on the part of the staff.

Assemblyman Uaruh asked whether, if core holes had been drilled in the area, it would have enabled the staff to classify the area as being on a known geologic structure, and was informed by Mr. Hortig that the information that the area was in a known geologic structure would not necessarily qualify the area as being part of a producing oil and gas field.

The Executive Officer pointed out that after bids have been received, the Commission would be in a better position to know whether an actual lease should be entered into.

Mr. Miller asked to be supplied with a copy of the report that was made by the firm of Kemnitzer & Diepenbrock in connection with subject lease offer. Assemblyman Lindsay remarked that he thought perhaps the State's share of participation in oil should be increased to possibly 25%, that the present 12½% figure appears to be too low. Assemblyman Uaruh questioned the Commission as to the position it had taken on the Cunningham-Shell Act at the time it was before the Legislature, and was informed by the Executive Officer that the Commission felt that the percentage set in the act was a matter of discretion of the Legislature.

Mr. Lindsay then asked if an area of 5,500 acres could be checkerboarded, which led to a discussion of the question of how small an area would be interesting to a prospective bidder on the basis of offering a maximum cash bonus. Mr. Kirkwood brought out the point that the Commission has data available currently to make a recommendation that this is not a proven area, and that as far as the 12½% royalty is concerned, he had taken that into consideration at the time the legislation went through, and had attempted to work with the staff in keeping rigidity out of the bill, but was satisfied that the action taken was the best that could be done if the State was to proceed with leasing offshore lands; that it was the practice that is consistent in other states and used by the Federal Government in leasing unproven lands. He suggested that perhaps at the time of making the original offer, the Commission should indicate the minimum cash bonus that would be acceptable. He stated that the action being taken by the Commission was in line with the express findings of the Legislature that it wanted development of offshore areas. He then pointed out to the Assemblymen present that the Commission at its next meeting expects to have a classification on approximately 17,000 acres in Ventura County, and, also, either at that meeting or the one following, a similar classification on the area from Coal Oil Point to Point Conception, and that at that time a thorough exploration would be necessary as to the Commission's stand toward size of areas that should be offered, and whether leases should be offered currently in all that area. However, the lease offer being considered at this meeting was felt to be completely desirable and justifiable under the 1955 legislative action.