

1. INITIATE OPERATIONS ON THE LEASE.
 2. QUITCLAIM THE ENTIRE LEASE AREA.
 3. PRESENT NEW ADEQUATE BASES FOR CONSIDERATION AS TO ANY FURTHER DEFERMENT OF THE DRILLING AND OPERATING REQUIREMENTS UNDER THE LEASE.
10. (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 August 15, 1956 (Minute Item 3, pages 2756-58) the Commission authorized the Executive Officer to offer for lease, pursuant to Section 6827 of the Public Resources Code, 5500 acres of tide and submerged lands in the Summerland area, Santa Barbara County. On October 10, 1955 (Minute Item 3, pages 2446-56) the staff was requested in part to consider the drafting of lease provisions to be included in new leases that would require the lessee, at the option of the State, to conduct production operations through pressure maintenance, either through gas or water injection or other means. Such lease requirement has been prepared and approved as to form by the office of the Attorney General, as follows:

"12. With respect to any oil or gas zone, and subject to the provisos hereinafter in this Paragraph 12 enumerated, State reserves and retains the sole and exclusive right to determine whether pressure maintenance operations or secondary recovery operations, either or both, is or are necessary or advisable in the public interest, in which event State may notify Lessee, in writing, to commence and continue such operations within a reasonable time and in the manner specified by State in said notice, and Lessee agrees to so perform.

"Exercise of either or both of the foregoing rights by State is subject to the following PROVISOS:

- (1) State shall not make the determination in this Paragraph 12 mentioned in the event State and Lessee do not hold sufficient interests in the affected zone or zones to give reasonably effective control of operations therein;
- (2) Upon prior written approval by State, and subject to any conditions therein recited Lessee may initiate, commence and continue either or both of the operations hereinabove stated;
- (3) In the event either or both of such operations are commenced and continued, and whether initiated by State or Lessee, State shall bear Twelve and one-half percent (12½%) of any costs

over and above normal costs of development and operation, which share to be borne by State shall be deducted by Lessee from royalties payable to State."

The staff informed the Commission verbally that a request had just been received from the Standard Oil Company of California that the following addition be made to the proposed Section 12 of the lease requirements:

"(1) Such determination shall be made only by mutual agreement of the State and the Lessee or at a regular meeting of the State Lands Commission following not less than thirty (30) days written notice to Lessee, and shall include an express finding by the State, based upon evidence presented at such meeting, that the proposed plan of pressure maintenance or secondary recovery is practicable and is economically justified, having due regard to the best interests of the State and the Lessee."

The Executive Officer expressed his approval of the first part of this proposed amendment, but not of the second part.

Mr. Paul Home appeared on behalf of the Standard Oil Company and stated that it was their feeling that, while the objectives of the proposed amendment as submitted by the staff were sound, the amendment did not provide criteria upon which the Commission could base a finding, and that this point was of extreme importance to the lessee. He went on to say that perhaps the recommendation made by the Standard Oil Company was too general, but that there should be an express finding, based upon some type of expert testimony to be presented at an open meeting of the Commission, indicating that any proposed plan of pressure maintenance would stand a chance of accomplishing the objectives in mind, and also would be economically justifiable. He stressed the point that any cost or risk involved would be borne entirely by the lessee, and that before an order of such serious nature was issued there should be exhaustive study of the economic features of the proposal.

Assemblyman Allen Miller agreed with the staff's recommendation, and stressed that there definitely should be a clause in the lease providing that any decision of the State Lands Commission was final, to avoid the possibility of long, drawn-out court review.

Mr. Kirkwood was of the opinion that a factor entering into consideration of a lease provision of this nature was the question of its possible effect on the cash bonus the State would receive, and stated that it would not be desirable to put something into a lease that would discourage bidders. He felt that as far as the language of the lease was concerned, there should be knowledge that there would be a hearing but it should be clear that the question would not be opened for extended review. He then requested submitting the proposal to the Attorney General for review of language to accomplish this purpose.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE EXECUTIVE OFFICER WAS AUTHORIZED TO INCLUDE A REQUIREMENT FOR PRESSURE MAINTENANCE OR SECONDARY RECOVERY, AT THE OPTION OF THE STATE, IN THE FORM OF LEASE TO BE UTILIZED

FOR THE LEASE OFFER OF 5,500 ACRES OF TIDE AND SUBMERGED LANDS IN THE SUMMERLAND AREA, SANTA BARBARA COUNTY, AS AUTHORIZED AUGUST 15, 1956 UNDER W. O. 2253, SUBJECT TO THE CONCURRENCE OF THE OFFICE OF THE ATTORNEY GENERAL IN A LEASE REQUIREMENT TO PROVIDE FOR FINAL COMMISSION DETERMINATION OF THE NECESSITY AND FEASIBILITY OF ANY REQUIRED PROJECT.

11. (EXTENSION OF GEOLOGICAL SURVEY PERMIT, SANTA BARBARA, VENTURA, LOS ANGELES AND ORANGE COUNTIES, UNION OIL COMPANY OF CALIFORNIA - W. O. 2272, P.R.C. 1715.1.) The following report was presented to the Commission:

"On May 18, 1956 (Minute Item 21, page 2697) the Commission authorized the Executive Officer to issue to the Union Oil Company of California a geological survey permit conforming to the operating conditions determined by the Commission May 18, 1956, for the period June 1, 1956 through October 31, 1956 in order to obtain geological information involving depths in excess of 500 feet below the surface of the ocean floor in tide and submerged lands lying between a line drawn due West from Pt. Arguello, Santa Barbara County, and the extension seaward of the northerly limits of the city of Newport Beach, Orange County.

"An application has been received from the Union Oil Company of California requesting an extension of the permit term through April 30, 1957 in order to continue core drilling exploration."

The Chairman asked if all extensions being requested were justified, and was informed by the staff that they were.

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO ISSUE TO THE UNION OIL COMPANY OF CALIFORNIA AN EXTENSION OF GEOLOGICAL SURVEY PERMIT P.R.C. 1715.1 TO TERMINATE APRIL 30, 1957, ALL OTHER TERMS AND CONDITIONS OF THE PERMIT TO REMAIN UNCHANGED AND IN FULL FORCE AND EFFECT.

12. (APPLICATION FOR LEASE, BOLINAS LAGOON, MARIN COUNTY, BOLINAS HARBOR DISTRICT - W. O. 2385.) The following report was presented to the Commission:

"The Bolinas Harbor District, a public corporation, has applied for a lease covering approximately 500 acres of tide and submerged lands in Bolinas Lagoon, Marin County. The area for which a lease is requested is to be used for a small craft harbor, including the dredging of channels, shipways, berths, anchorage places and turning basins, the construction of jetties, breakwaters, bulkheads, seawalls and wharves, together with any other work necessary for the development and improvement of such a harbor. The proposed lease would be for a period of fifteen years at an annual rental of \$200. A harbor in the vicinity is urgently needed for small craft use. No bond is required."