

4. (LEASE BOND, RICHFIELD OIL CORPORATION, RINCON FIELD, VENTURA COUNTY - P.R.C. 1466.1.)

After presentation of Calendar Item No. 7 attached, the Chairman brought up the question of a larger bond having previously been suggested, and asked if it was now considered adequate to have a bond in the amount of \$500,000, to which Mr. Hortig replied in the affirmative.

Mr. K. M. Cook appeared on behalf of the Richfield Oil Corporation, and informed the Commission that while his organization still felt that the bond being required was in a larger amount than was necessary, they would agree with the recommendation of the staff.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE EXECUTIVE OFFICER IS AUTHORIZED TO INFORM THE RICHFIELD OIL CORPORATION, LESSEE UNDER OIL AND GAS LEASE P.R.C. 1466.1, THAT A GOOD AND SUFFICIENT BOND IN FAVOR OF THE STATE OF CALIFORNIA SHALL BE FILED WITH THE STATE AND MAINTAINED IN THE AMOUNT OF \$500,000, TO GUARANTEE THE FAITHFUL PERFORMANCE BY THE LESSEE OF THE PLACEMENT AND MAINTENANCE OF THE FILLED LANDS AND THE REMOVAL THEREOF AT THE REQUEST OF THE STATE UPON THE EXPIRATION OR SOONER TERMINATION OF THE LEASE, AS REQUIRED BY SECTION 13 OF OIL AND GAS LEASE P.R.C. 1466.1.

Attachment

Calendar Item 7 (1 page)

OIL & GAS

7.

(LEASE BOND, RICHFIELD OIL CORPORATION, RINCON FIELD, VENTURA COUNTY - P.R.C. 1466.1.)

On January 10, 1957 (Minute Item 4, Page 2968), the Commission deferred action on the specification of a surety bond to be maintained under Oil and Gas Lease P.R.C. 1466.1, pending further review by the staff.

Oil and Gas Lease P.R.C. 1466.1, issued August 29, 1955 to the Richfield Oil Corporation pursuant to competitive public bidding, provides in part "...the Lessee shall also maintain a good and sufficient bond in favor of the State of California in a reasonable amount as specified by the State but not to exceed fifty per cent (50%) of the cost of the filled lands and auxiliary structures to guarantee the faithful performance by the Lessee of the placement and maintenance of the filled lands and the removal thereof at the request of the State upon the expiration or sooner termination of this Lease."

Cost estimates under a construction contract which has been awarded for the erection of a drillsite island under the subject lease at an estimated cost of \$2,680,000, current estimates of the cost of removal of the offshore island, and estimates of the cost of island maintenance and ultimate removal of surface equipment and of the "island" have been reviewed by the staff. In conformance with the policy of the Commission for specification of lease performance bonds in a reasonable amount to assure future compliance with all lease terms and conditions, it appears from the aforesaid review that a performance bond in the amount of \$500,000 should be required.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO INFORM THE RICHFIELD OIL CORPORATION, LESSEE UNDER OIL AND GAS LEASE P.R.C. 1466.1, THAT A GOOD AND SUFFICIENT BOND IN FAVOR OF THE STATE OF CALIFORNIA SHALL BE FILED WITH THE STATE AND MAINTAINED IN THE AMOUNT OF \$500,000, TO GUARANTEE THE FAITHFUL PERFORMANCE BY THE LESSEE OF THE PLACEMENT AND MAINTENANCE OF THE FILLED LANDS AND THE REMOVAL THEREOF AT THE REQUEST OF THE STATE UPON THE EXPIRATION OR SOONER TERMINATION OF THE LEASE, AS REQUIRED BY SECTION 13 OF OIL AND GAS LEASE P.R.C. 1466.1.