

MINUTE ITEM

19. PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LAND, SANTA BARBARA COUNTY - W.O. 3810 (PARCEL 2).

The Executive Officer suggested that consideration of Calendar Item 12 attached (aid of Calendar Item 4, for which see Minute Item 20, pages 6857-58) should be withheld until after inviting discussions pursuant to the letter which the Chairman of the Commission had sent to those in industry having an interest in the problems of core-drilling operations as related to the issuance of oil and gas leases.

The Chairman stated, for the record, that a letter dated March 28, 1961, had been received from Mr. Edwin Pauley, raising certain questions in regard to leasing procedures followed on Parcel 2. Therefore, the Chairman had written identical letters to all companies which had geological exploration permits issued since July 30, 1959, as follows:

"I enclose a copy of a letter from Edwin W. Pauley, dated March 28, 1961, addressed to me in my capacity as Chairman of the State Lands Commission. The Commission will meet in Sacramento on April 12th at 10 a.m. in Room 2170, State Capitol. If your company has any views to discuss on the subject of the letter from Mr. Pauley, the Commission will appreciate your views at the April 12 meeting."

The Chairman stated that the following communications were also received by the Lands Commission:

1. Letter from the law offices of Ball, Hunt and Hart, transmitting to the Commission a formal protest in the name of the Richfield Oil Corporation against the awarding of an oil and gas lease on Parcel 2 to Texaco; and also requesting that bidding on Parcel 3, set for April 6, 1961, be deferred. (It was noted that this letter was received too late for any meeting to be held by the Commission to consider the request as far as Parcel 3 was concerned, as bids were accepted on April 7; and it was also noted that the Richfield Oil Corporation apparently was the high bidder on Parcel 3, although that had not yet been determined.
2. Letters from the following, which do not amount to formal protests, but simply make certain comments:
  - a. Tidewater Oil Company, dated April 6, 1961.
  - b. Mobil Oil Company, dated April 6, 1961.
  - c. Standard Oil Company of California, Western Operations, Inc., dated April 10, 1961.
  - d. Humble Oil and Refining Company, Monterey Division, dated April 11, 1961, and received by phone the morning of April 12.
3. Letter from Texaco Inc., dated April 11, 1961, which constitutes a reply by Texaco to the statements made in the letter by Mr. Ball on behalf of the Richfield Oil Corporation.

A general invitation was then issued to those present to make comments.

Mr. Joseph A. Ball, representing the Richfield Oil Corporation, stated that action on Parcel 2 probably should require Commission reconsideration of State leasing policy. He indicated that in making his statements he would have to assume certain facts, but could not prove them inasmuch as they were based on confidential information available to the Commission, but not to his client. He claimed that on the basis of these assumed facts, Texaco was in a better position for submittal of a lease bid than anyone else, but that the Lands Commission also was in a position to determine the value of Parcel 2. He therefore wished to urge that when the Commission does determine that a parcel is valuable, it also determine whether or not it would not gain more for the State by a minimum cash bid supplemented by royalty bidding. Mr. Ball also questioned whether the present method of permitting core holes to go to a certain depth in accordance with the judgment of the staff gives all companies equal information. He then indicated that although it had been assumed originally that Richfield was not on an equal information basis with the Texaco Company as to Parcel 3, it had since been decided that they must have been on an equal basis, inasmuch as Richfield is the high bidder. Therefore, Richfield was withdrawing its formal protest insofar as Parcel 3 is concerned; but wanted to leave standing their protest on Parcel 2.

Mr. Miles W. Newby, Jr., Attorney, appeared on behalf of Texaco Inc. and stated that he thought it was obvious that it was to the best interests of the State that the Lands Commission award Parcel 2 to Texaco.

Mr. Ball then stated that in their protest (Richfield's) they pointed out what they considered a lack of regulations as required by statute; that they felt more exact regulations could be drawn up by the Commission so that everybody could go to the regulation and see exactly what they could do.

Mr. J. Barton Hutchins, with Edwin Pauley & Associates, requested that the record be clear "that Mr. Pauley is definitely on record with a protest".

Mr. Edmund D. Buckley, Counsel for Tidewater Oil Company, stated that the company did not want the Tidewater letter supporting the Richfield objections interpreted as a formal protest on Parcel 2.

Mr. Geo. Ketchum of Mobil Oil Company stated: "We, likewise, would not like to have our letter interpreted as a protest to the award on Parcel 2."

The Chairman asked if there were any further comments, and there was no response.

In view of the limited time the State had to consider the Richfield protest and the currently noted Pauley protest, the Chairman recommended that the Lands Commission request a review opinion of the Attorney General.

Mr. Newby of Texaco Inc. answered in the affirmative when asked if the Texaco bid on Parcel 2 would stand despite delay in acceptance or rejection of the Texaco bid.

UPON MOTION DULY MADE, SECONDED, AND CARRIED UNANIMOUSLY, A RESOLUTION WAS ADOPTED WITHHOLDING ACTION ON ISSUANCE OF THE PARCEL 2 OIL AND GAS LEASE UNTIL THE STATE LANDS COMMISSION CAN RECEIVE ADVICE OF THE ATTORNEY GENERAL IN THIS MATTER, REQUESTING THAT THE EARLIEST POSSIBLE ADVICE BE GIVEN BY THE OFFICE OF THE ATTORNEY GENERAL.

Attachment  
Calendar Item 12 (2 pages)

CALENDAR ITEM

12.

PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LAND, SANTA BARBARA COUNTY - W.O. 3810 (PARCEL 2).

On March 3, 1961, three bids were received in response to a published Notice of Intention of the State Lands Commission to enter into a lease for the extraction of oil and gas from 4,250.14 acres of tide and submerged lands, designated as W.O. 3810 (Parcel 2), Santa Barbara County. This offer was authorized by the Commission on December 22, 1960 (Minute Item 31, page 6587).

The Office of the Attorney General has reviewed the highest bid, submitted by Texaco Inc., and has determined that the Commission has complied with the procedural requirements of law and that the bid submitted conforms with:

1. The bid requirements specified in the proposal of the Commission.
2. The applicable statutory provision of the law.
3. The rules and regulations of the Commission.

A summary tabulation of the bonus-payment offers received pursuant to the lease proposal is attached.

IT IS RECOMMENDED THAT IN ACCORDANCE WITH THE PROVISIONS OF DIVISION 6 OF THE PUBLIC RESOURCES CODE, THE COMMISSION ACCEPT THE HIGHEST QUALIFIED BID MADE BY TEXACO INC. ON MARCH 3, 1961, AND AUTHORIZE THE EXECUTIVE OFFICER TO ISSUE AN OIL AND GAS LEASE TO TEXACO INC. FOR THE 4,250.14 - ACRE PARCEL OF TIDE AND SUBMERGED LANDS DESIGNATED AS W.O. 3810 (PARCEL 2) IN SANTA BARBARA COUNTY, AS DETAILED IN THE PUBLISHED NOTICE OF INTENTION UNDER W.O. 3810 (PARCEL 2) PUBLISHED JANUARY 3 AND JANUARY 10, 1961. THE CASH-BONUS PAYMENT IN CONSIDERATION OF ISSUANCE OF THE LEASE IS TO BE \$9,550,000 AS OFFERED IN THE BID.

Attachment  
Exhibit "A"

W.O. 3810  
(Parcel 2)

EXHIBIT "A"

SUMMARY

W.O. 3810 (PARCEL 2)

<u>BIDDER</u>	<u>CASH BONUS OFFER</u>
Texaco Inc. . . . .	\$9,550,000
Richfield Oil Corporation . . . . .	1,600,015
Phillips Petroleum Company, et al . . . . .	851,500