

MINUTE ITEM

18. PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LAND, SANTA BARBARA COUNTY - W.O. 3810 (PARCEL 2), P.R.C. 2725.1,

AND

PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LAND, SANTA BARBARA COUNTY W.O. 3850 (PARCEL 3), P.R.C. 2726.1.

In submitting Calendar Item 17 attached, the Executive Officer explained that the report was identical to that which had been submitted to the Commission at its last meeting, at which time action was deferred in view of the determination to refer the legal questions of geological and geophysical exploration permit procedure and their relationship to oil-and-gas leasing to the Attorney General for opinion.

Assemblyman Bruce Allen, who is presently Chairman of the Assembly Committee on Manufacturing, Oil and Mining Industry, appeared before the Commission and stated that he wished to present his own views on the matter under consideration. Having participated in the committee hearings which led up to the 1957 revisions of the Cunningham-Shell Act and the present law on leasing practices in the State of California, Mr. Allen stated a preference for seeing that the victory achieved in 1957 is maintained and the fine competitive bidding practices of the State continued.

Mr. Allen urged the Commission to accept the high bid on both Parcels 2 and 3, stating from a review of the information available to him, the arguments which had been advanced for not accepting the lease bids were without merit; that the Richfield Oil Corporation had repudiated their own basis for objection when they withdrew their objections upon learning that they were the high bidders on Parcel 3. By virtue of information exchanged within the industry, Richfield knew a year before the date of the bidding the depth of the Texaco core hole on Parcel 2, and if Richfield had been interested to drill to that depth, they could have done so.

Mr. Allen then called attention to statements made by one of the officers of the Richfield Oil Corporation, Mr. Ragland, at the hearing conducted in Los Angeles by the Commission a year ago, where various oil companies were requesting the Commission to offer the parcels in question for bid, and Mr. Ragland stated that he believed the lands should be offered for lease "at this time", and said "We know that the offshore lands now under consideration contain oil." At that time Mr. Ragland also said that "...by and large I think the companies do know what they are doing and I think the prices that are bid are truly reflective of the properties that they are bidding on."

Mr. Allen stated that no system of competitive bidding would work if the people who administer it don't want it to work, and that it would be possible to kill a good system of competitive bidding by refusing to accept the high bid when it is offered and letting the word get out that the only high bid that will be accepted is the one made by the right people. He therefore requested favorable action by the Commission on Parcels 2 and 3.

The Chairman assured Mr. Allen that the Commission has every intention of administering effectively the bid procedure authorized by the Legislature.

Mr. Allen confirmed the Executive Officer's statement that the analyses and comments which he had just presented to the Commission were not based on any data made available to him by the State Lands Division other than the transcripts of the State Lands Commission meetings which are regularly furnished to him as Chairman of the Assembly Committee on Manufacturing, Oil, and Mining Industry, and a copy of the letter of protest for Richfield Oil Corporation by Joseph Ball, which copy had been furnished to him on specific clearance of Mr. Ball.

Mr. Clark Heggeness of Ball, Hunt and Hart of Long Beach, on behalf of Richfield Oil Corporation, stated that Richfield's policy now is this: "If the Commission decides to accept the bids on Parcels 2 and 3, Richfield will be willing to set aside any action on the award of the bid to Texaco provided on all future parcels it is given the same treatment; that is, they could drill to the same stratigraphic depth;" however, he indicated that Richfield would not waive its protest to Parcel 2 unless it was assured that it would be given equal treatment on future parcels. The Chairman thereupon stated that "The Lands Commission assures all oil companies they will be given equal treatment. We will not prescribe what form that will take," to which Mr. Heggeness replied: "Well, I have no authority to withdraw the protest on that basis."

Mr. Jack Garfinkel stated on behalf of Pauley Petroleum: "Our protest now on the record should be allowed to stand and we wish to make no further protest or withdraw it at this time."

The Chairman then brought up the question of the propriety of the Commission's proceeding to act on the bids at this particular meeting in view of the fact that written agendas circulated prior to the meeting did not contain formal notice therein that the Commission would consider acting on the bids at this session, and asked if Richfield and Pauley were willing to waive any protest on the grounds of inadequacy of notice. Both Mr. Heggeness and Mr. Garfinkel confirmed that they waived any protest on the grounds of inadequacy of notice.

The chairman asked that the record show that advice had been received from the Attorney General that it is proper for the Commission to proceed, and that if the Commission wished to do so it has adequate legal grounds, apart from the question of the value of the oil, for approving the bids that had been presented to it. Also for the record, the Chairman stated that in order to equip himself to act with all adequacy possible, he had familiarized himself with confidential information in possession of the Lands Commission relating to the area under consideration. Commissioners Carr and Anderson confirmed for the record that they likewise had familiarized themselves with such information in the possession of the Lands Commission relative to the circumstances under which the bids were made.

UPON MOTION MADE BY COMMISSIONER CARR, SECONDED BY COMMISSIONER ANDERSON, AND CARRIED UNANIMOUSLY, THE FOLLOWING RESOLUTION WAS ADOPTED.

IN ACCORDANCE WITH THE PROVISIONS OF DIVISION 6 OF THE PUBLIC RESOURCES CODE, THE COMMISSION ACCEPTS THE HIGHEST QUALIFIED BID

MADE BY TEXACO INC. ON MARCH 3, 1961, AND AUTHORIZES 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.

Calendar Item 18 attached was then reviewed, and the Executive Officer asked that the record show that all prior protests with respect to issuance of a lease on Parcel 3 had been withdrawn. The Chairman asked that the record also show that all three members of the Commission had reviewed the files and explored the information available to them in connection with Parcel 3.

UPON MOTION MADE BY COMMISSIONER CARR, SECONDED BY COMMISSIONER ANDERSON, AND CARRIED UNANIMOUSLY, THE FOLLOWING RESOLUTION WAS ADOPTED:

IN ACCORDANCE WITH THE PROVISIONS OF DIVISION 6 OF THE PUBLIC RESOURCES CODE, THE COMMISSION ACCEPTS THE HIGHEST QUALIFIED BID MADE BY RICHFIELD OIL CORPORATION, A DELAWARE CORPORATION; THE OHIO OIL CORPORATION, AN OHIO CORPORATION; SOCONY MOBIL OIL COMPANY, INC., A NEW YORK CORPORATION; AND TIDEWATER OIL COMPANY, A DELAWARE CORPORATION, ON APRIL 7, 1961, AND AUTHORIZES THE EXECUTIVE OFFICER TO ISSUE AN OIL AND GAS LEASE TO THE AFORESAID BIDDERS FOR THE 4,250.14-ACRE PARCEL OF TIDE AND SUBMERGED LANDS DESIGNATED AS W.O. 3850 (PARCEL 3) IN SANTA BARBARA COUNTY, AS DETAILED IN THE PUBLISHED NOTICE OF INTENTION UNDER W.O. 3850 (PARCEL 3) PUBLISHED FEBRUARY 3 AND FEBRUARY 10, 1961. THE CASH-BONUS PAYMENT IN CONSIDERATION OF ISSUANCE OF THE LEASE IS TO BE \$1,355,111.00 AS OFFERED IN THE BID.

Attachments

- Calendar Item 17 (2 pages)
- Calendar Item 18 (2 pages)

SUPPLEMENTAL CALENDAR ITEM

17.

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.	851,600

SUPPLEMENTAL CALENDAR ITEM

18.

PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LAND, SANTA BARBARA COUNTY - W.O. 3850 (PARCEL 3).

On April 7, 1961, two 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. 3850 (Parcel 3), Santa Barbara County. This offer was authorized by the Commission on January 26, 1961 (Minute Item 22, page 6683).

The Office of the Attorney General has reviewed the highest bid, submitted by Richfield Oil Corporation, The Ohio Oil Company, Socony Mobil Oil Company, Inc., and Tidewater Oil Company, and has determined that the Commission has complied with the procedural requirements of law and that the bid submitted substantially conforms with:

1. The Bid requirements specified in the proposal of the Commission.
2. The applicable provisions of 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 RICHFIELD OIL CORPORATION, A DELAWARE CORPORATION, THE OHIO OIL COMPANY, AN OHIO CORPORATION, SOCONY MOBIL OIL COMPANY, INC., A NEW YORK CORPORATION AND TIDEWATER OIL COMPANY, A DELAWARE CORPORATION ON APRIL 7, 1961, AND AUTHORIZE THE EXECUTIVE OFFICER TO ISSUE AN OIL AND GAS LEASE TO THE AFORESAID BIDDERS FOR THE 4,250.14 - ACRE PARCEL OF TIDE AND SUBMERGED LANDS DESIGNATED AS W.O. 3850 (PARCEL 3) IN SANTA BARBARA COUNTY, AS DETAILED IN THE PUBLISHED NOTICE OF INTENTION UNDER W.O. 3850 (PARCEL 3) PUBLISHED FEBRUARY 3 AND FEBRUARY 10, 1961. THE CASH-BONUS PAYMENT IN CONSIDERATION OF ISSUANCE OF THE LEASE IS TO BE \$1,355,111.00 AS OFFERED IN THE BID.

Attachment
Exhibit "A"

A 36
S 31

6930

W.O. 3850
(Parcel 3)

EXHIBIT "A"

SUMMARY

W.O. 3850 (PARCEL 3)

BIDDER

CASH BONUS OFFER

Joint bid of Richfield, Ohio, Mobil, Tidewater . . . \$1,355,111

Texaco Inc. 425,000