

~~MINUTE ITEM~~

20. TERMINATION OF OIL AND GAS LEASE P.R.C. 773.1, SANTA BARBARA COUNTY,
B. D. OWENS - W.O. 4499.

After consideration of Calendar Item 6 attached, and upon motion duly made
and unanimously carried, the following resolution was adopted:

THE COMMISSION DETERMINES THAT AS A RESULT OF FAILURE TO PERFORM AND OBSERVE
THE TERMS AND CONDITIONS OF THE LEASE, OIL AND GAS LEASE EXTENSION AND
RENEWAL P.R.C. 773.1 IS TO BE TERMINATED ON SEPTEMBER 30, 1962, AND THAT NO
FURTHER EXTENSION OF THIS LEASE WILL BE AUTHORIZED.

Attachment
Calendar Item 6 (2 pages)

6.

TERMINATION OF OIL AND GAS LEASE P.R.C. 773.1, SANTA BARBARA COUNTY, B. D. OWENS - W.O. 4499.

State Oil and Gas Lease 169 was issued pursuant to Chapter 303, Statutes of 1921, on September 30, 1932, covering 29.38 acres of tide and submerged lands in Capitan Oil Field, Santa Barbara County. The lease was assigned on March 10, 1938, with the approval of the Chief of the Division of State Lands to B. D. Owens, the present Lessee. In August 1940 the Lessee quit-claimed all of the leased land except 4.3 acres surrounding the one producing well.

On September 30, 1952 (Minute Item 29, pages 1629-30), Oil and Gas Lease Extension and Renewal P.R.C. 773.1, extending the term of Lease 169 was approved by the Commission. The extended and renewed lease provides in part: "The term of this extension and renewal of lease shall continue for a period of ten (10) years from and after the date hereof and provided such term may be thereafter extended upon such terms and conditions and for such period of time as and if the Legislature may provide." . . . The one well completed in the leased area has not produced oil and gas since September, 1958. Net production for the last producing year was 1,566 barrels of oil, or 4.3 barrels per day. During this period the gross production was 90% water. Section 7 of the lease provides in part: "In the event the Lessee shall fail in the performance or observance of any of the terms, covenants, and stipulations hereof, or of the rules and regulations of the State now promulgated or any reasonable rules or regulations which it may hereafter promulgate and if such default shall continue for a period of thirty (30) days after written notice thereof to the Lessee and no steps shall have been taken within that time, in good faith, to remedy said default, then the State may cancel said lease and enter upon the demised premises and take possession of the same and all facilities, tools, equipment and supplies thereon, for the purpose of completing and/or operating said wells. Should the Lessee fail or refuse to operate the well or wells in the manner prescribed by the provisions of the lease, then the State shall have the right and power to operate or shut down the entire operations of the Lessee upon the demised premises until such conditions have been corrected; the Lessee hereby agrees to pay all expenses incurred by the State incident to such State action."

On June 20, 1961, the Lessee was requested to comply with the lease operating requirements. Lessee submitted for approval a remedial program proposed to be used in order to return the well to production, which program was approved by this Division on July 20, 1961. Work was commenced on the well by the Lessee; however, it has not been returned to production.

The well surface equipment is located on a tideland strip immediately adjacent to the uplands. The adjacent upland owner has submitted a letter protesting the condition of the existing surface facilities as a threat to the safety of any person coming in contact with it. On July 15, 1962, the Legal Section of this Division recommended to the Lessee that a quitclaim

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to the area be submitted in view of the failure to return the well to production. Lessee has given a verbal reply to the effect that the matter is under review. No application for extension or renewal of the term of the lease has been received.

IT IS RECOMMENDED THAT THE COMMISSION DETERMINE THAT AS A RESULT OF FAILURE TO PERFORM AND OBSERVE THE TERMS AND CONDITIONS OF THE LEASE, OIL AND GAS LEASE EXTENSION AND RENEWAL P.R.C. 773.1 BE TERMINATED ON SEPTEMBER 30, 1962, AND THAT NO FURTHER EXTENSION OF THIS LEASE WILL BE AUTHORIZED.