

MINUTE ITEM

31. OIL AND GAS LEASE, STATE DEPARTMENT OF EMPLOYMENT, LOS ANGELES COUNTY;
STANDARD OIL COMPANY OF CALIFORNIA - W.O. 4536, P.R.C. 3163.0.

After consideration of Calendar Item 30 attached, and upon motion duly made
and unanimously carried, the following resolution was adopted:

THE COMMISSION:

1. DETERMINES THAT IT IS IMPRACTICABLE IN THIS INSTANCE, BY REASON OF
THE SMALL SIZE AND INACCESSIBILITY FROM SURFACE DRILLSITES REASON-
ABLY AVAILABLE OR OBTAINABLE, TO FULFILL THE PROVISIONS OF SECTION
6827 (COMPETITIVE PUBLIC BIDDING); AND AUTHORIZES, PURSUANT TO THE
PROVISIONS OF SECTION 6815, A NEGOTIATED LEASE WHICH PROVIDES,
THROUGH DRILLING FROM ADJACENT LANDS ONLY, FOR THE DEVELOPMENT OF
OIL AND GAS FROM STATE LANDS DESCRIBED IN EXHIBIT "A" ATTACHED
HERETO AND HEREBY MADE A PART HEREOF.
2. APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO ENTER INTO THE FORM
OF GAS LEASE COVERING THE LANDS DESCRIBED IN EXHIBIT "A" (W.O. 4536),
WHICH LEASE, DATED MARCH 5, 1959, IS ON FILE IN THE OFFICE OF THE
STATE LANDS COMMISSION.

Attachment

Calendar Item 30 (3 pages)

CALENDAR ITEM

30.

OIL AND GAS LEASE, STATE DEPARTMENT OF EMPLOYMENT, LOS ANGELES COUNTY;
STANDARD OIL COMPANY OF CALIFORNIA - W.O. 4536.

On June 29, 1962, a community oil and gas lease dated March 5, 1959, was offered by Standard Oil Company of California to the State Department of Employment, including all land lying more than 500 feet below the surface but none of the land lying above the depth of 500 feet below the surface, covering 4.07 acres of land in the vicinity of 15th Street and Broadway in the City of Los Angeles (see Exhibit "B"). Subsurface operations will be conducted from a controlled drillsite.

The provisions of the Public Resources Code at the time the lease was offered would have required that the State Department of Employment parcel be offered pursuant to competitive public bidding; however, this small parcel lies in an area where drilling is conducted from a controlled drillsite, and it is surrounded by a community lease held by Standard; thus competitive public bidding would have been impractical.

Subsequent legislation pursuant to Chapter 1195, Statutes of 1963, Section 6815 of the Public Resources Code, provides in part: "...Whenever it appears to the Commission that wells drilled upon private land are draining, or may drain, oil or gas from lands owned by the State, or where the provisions of Section 6827 are deemed by the Commission to be impracticable in the particular case by reason of the small size, ...or its inaccessibility from surface drillsites reasonably available or obtainable, the Commission in lieu of following the provisions of Section 6827, ...may negotiate and enter into leases for the development of the State lands through drilling from adjoining lands only..."

The State Administrative Manual, Section 8317.12, provides: "State agencies contemplating entering into oil and gas leases will inform the State Lands Division, Department of Finance, of this fact. The State Lands Division will negotiate the proposed oil and gas lease and transmit it to the owning agency for approval."

The State Department of Employment has requested that the State Lands Division negotiate a lease with Standard covering the subject lands.

Inasmuch as this is a community lease and State's interest (4.07 acres) will be pooled with other interests (approximately 150 acres), lessee could not give the State more favorable terms than the other lessees have received. However, some changes (to be implemented by collateral agreement) were necessary in order to comply with provisions of the Public Resources Code (see Exhibit "C").

The community lease submitted by Standard provides for: a primary term of seven years in which to commence drilling operations; a royalty of 16-2/3%; a delayed rental of \$1,221 for the period March 5, 1959, to March 5, 1965; an annual rental of \$244.20 commencing March 5, 1965, in the event drilling operations have not commenced; and a term of ten years and so long thereafter

CALENDAR ITEM 30. (CONTD.)

as oil and gas are produced from said lands or lessee in good faith shall conduct drilling operations into or through said lands.

All available data relating to geologic development and production in this general area has been reviewed by this Division, and it is concluded that, due to geological complexity, this parcel must be considered an unproven area, which would justify approval of a royalty rate of 16-2/3%.

The State Department of Employment has reviewed and approved the negotiated form of lease.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT IT IS IMPRACTICABLE IN THIS INSTANCE, BY REASON OF THE SMALL SIZE AND INACCESSIBILITY FROM SURFACE DRILL SITES REASONABLY AVAILABLE OR OBTAINABLE, TO FULFILL THE PROVISIONS OF SECTION 6827 (COMPETITIVE PUBLIC BIDDING); AND AUTHORIZE, PURSUANT TO THE PROVISIONS OF SECTION 6815, A NEGOTIATED LEASE WHICH PROVIDES, THROUGH DRILLING FROM ADJACENT LANDS ONLY, FOR THE DEVELOPMENT OF OIL AND GAS FROM STATE LANDS DESCRIBED IN EXHIBIT "A" ATTACHED HERETO AND HEREBY MADE A PART HEREOF.
2. APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO ENTER INTO THE FORM OF GAS LEASE COVERING THE LANDS DESCRIBED IN EXHIBIT "A" (W.O. 4536), WHICH LEASE, DATED MARCH 5, 1959, IS ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION.

Attachment
Exhibit "A"

EXHIBIT "A"

All that certain real property situate in the County of Los Angeles, State of California, described as follows:

Parcel 1:

Lots 13, 14, 15, 16, 18, 21, 22, 23 and 24 in Block A of Morris Vineyard Subdivision, as per map recorded in Book 3, Pages 38 and 39 of Miscellaneous Records in the office of the County Recorder of said County,

Parcel 2:

Lots 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24 in Block B of Morris Vineyard Subdivision, as per map recorded in Book 3, Pages 38 and 39 of Miscellaneous Records in the office of the County Recorder of said County.