

22. RESOLUTION, OIL AND GAS LEASE NO. 137, BOARD OF RECREATION AND PARK COMMISSIONERS, CITY OF LOS ANGELES, SANTA MONICA BAY, LOS ANGELES COUNTY - W.O. 5993, A.A.T.S. No. 6.

After consideration of Calendar Item 17 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION:

1. FINDS:

- A. THAT OIL OR GAS DEPOSITS ARE BELIEVED TO BE CONTAINED IN THE LANDS INCLUDED IN THE CITY OF LOS ANGELES OIL AND GAS LEASE NO. 137;
 - B. THAT THE SAME ARE BEING DRAINED BY MEANS OF WELLS UPON ADJACENT LANDS, AND
 - C. THAT THE LEASING OF THE SAME FOR THE PRODUCTION OF OIL AND GAS WILL BE IN THE BEST INTERESTS OF THE STATE.
2. APPROVES THE PROPOSED RESOLUTION SUBMITTED BY THE BOARD OF RECREATION AND PARK COMMISSIONERS OF THE CITY OF LOS ANGELES, AS MODIFIED IN THE LETTER DATED JANUARY 27, 1967, SIGNED BY C. ERWIN PIPER, CITY ADMINISTRATIVE OFFICER (IDENTIFIED AS EXHIBIT "B") ON FILE IN THE OFFICE OF THE COMMISSION, TO LEASE FOR THE PURPOSE OF EXPLORING AND EXTRACTING AND PRODUCING OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES FROM THOSE CERTAIN TIDE AND SUBMERGED LANDS LYING IN SANTA MONICA BAY, LOS ANGELES COUNTY, DESIGNATED AS OIL AND GAS LEASE NO. 137, GRANTED TO THE CITY OF LOS ANGELES BY LEGISLATIVE GRANT DESCRIBED IN CHAPTER 77, STATUTES OF 1917, AS AMENDED BY CHAPTER 1513, STATUTES OF 1945, AND IN CHAPTER 651, STATUTES OF 1929, AS AMENDED BY CHAPTER 443, STATUTES OF 1951.

Attachment

Calendar Item 17 (3 pages)

17.

RESOLUTION, OIL AND GAS LEASE NO. 137, BOARD OF RECREATION AND PARK COMMISSIONERS, CITY OF LOS ANGELES, SANTA MONICA BAY, LOS ANGELES COUNTY - W.O. 5993.

On May 26, 1966 (Minute Item 22, page 12,675), on September 26, 1966 (Minute Item 26, page 13,117), and on November 17, 1966 (Minute Item 25, page 13,362), the Commission deferred action on a proposed resolution of intention to enter into an oil and gas lease for the purpose of exploring for and extracting and producing oil, gas, and other hydrocarbon substances from 1,330 acres more or less of littoral and tide and submerged lands in Santa Monica Bay under the jurisdiction of the Board of Recreation and Park Commissioners. The resolution and the form of lease were submitted by the City of Los Angeles in accordance with Section 7060 and Section 7061 of the Public Resources Code. Section 7060 of the Public Resources Code provides in part:

"No such lease or agreement shall be effective unless prior to adopting the resolution provided for by Section 7058.5 the City shall have petitioned the State Lands Commission for approval of the proposed resolution, and the proposed resolution shall have been approved by the State Lands Commission..."

Section 6878(a) of the Public Resources Code provides that no city to which the State has granted tide and submerged lands without reserving minerals shall enter into any lease or agreement for the extraction of oil or gas from such tide and submerged lands in the area lying between Point Fermin and the Los Angeles-Ventura County Line, unless the State Lands Commission shall have made the determinations required under Section 6872; i.e., (1) that oil and gas deposits are believed to be contained in such lands, (2) that the same are being drained by means of wells upon adjacent lands, and (3) that the leasing of the same for the production of oil and gas will be in the best interests of the State.

The Commission requested the Office of the Attorney General to determine the legality of the Commission's approving the resolution if the findings required under Section 6872 cannot be made affirmatively, and directed that the staff evaluate any additional technical data that might be available from the City to assist in making the findings required under Section 6872. Information was submitted by the City, particularly data developed in wells drilled in the Hyperion field, and has been reviewed and coordinated with other available data by the staff.

The conclusion of the Office of the Attorney General is that the State Lands Commission could approve the proposed resolution and lease submitted by the City of Los Angeles only if it first finds each and all of the following:

1. That recoverable quantities of oil and gas are probably located under the tide and submerged lands in question;
2. That such deposits are probably being drained from wells on adjacent lands;

CALENDAR ITEM 17. (CONTD.)

3. That under all circumstances an encroachment on the "sanctuary" is in the best interests of the State.

If evidence were available from which the Commission could make all three findings, the Commission should still examine the terms of the proposed resolution and lease; and determine that they are in the best interests of the State.

Additional basic data and reports consisting of geological interpretations of available basic data developed by the City's consultants have been submitted. These geologic interpretations indicate that the current producing upland wells are on the east side of an oil field which probably extends westward beyond the coast line and underlies the submerged lands granted to the City. The staff, after a review of all of the data submitted, is of the opinion that this may be the proper evaluation. It is the conclusion of the staff that:

1. It is believed oil may be present within the limits of the area included in proposed Lease No. 137;
2. That such deposits are probably being drained from wells on adjacent lands;
3. That under all circumstances an encroachment on the "sanctuary" is in the best interests of the State, provided that under the proposed development by the City wells would be completed from drillsites within the City sewage plant.

The original resolution and the proposed form of lease provided for the City to share in the net profits with a 16-2/3% minimum royalty specified, and the resolution provided that the Board of Public Works would receive 30% of the bonus received and 30% of all revenue produced under the lease for furnishing a 2.33-acre drillsite. It is now proposed to modify the resolution as follows:

"Said bonus or money shall be divided between the Department of Recreation and Parks and the Board of Public Works, as follows:

"(a) A share of said bonus or money equal to 30% to the Board of Public Works as consideration for furnishing the drillsite; provided, however, that said share shall not exceed \$30,000.

"(b) A share of said bonus or money equal to 70% to be shared by the Department of Recreation and Parks and the Board of Public Works in the proportion that the acreage controlled by each under Oil and Gas Lease No. 137 bears to the total acreage leased."

All reference to net profits will be deleted from the lease.

CALENDAR ITEM 17. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND:

- A. THAT OIL OR GAS DEPOSITS ARE BELIEVED TO BE CONTAINED IN THE LANDS INCLUDED IN THE CITY OF LOS ANGELES OIL AND GAS LEASE NO. 137;
- B. THAT THE SAME ARE BEING DRAINED BY MEANS OF WELLS UPON ADJACENT LANDS, AND
- C. THAT THE LEASING OF THE SAME FOR THE PRODUCTION OF OIL AND GAS WILL BE IN THE BEST INTERESTS OF THE STATE.

2. APPROVE THE PROPOSED RESOLUTION SUBMITTED BY THE BOARD OF RECREATION AND PARK COMMISSION OF THE CITY OF LOS ANGELES, AS MODIFIED IN THE LETTER DATED JANUARY 27, 1967, SIGNED BY C. ERWIN PIPER, CITY ADMINISTRATIVE OFFICER (IDENTIFIED AS EXHIBIT "B") ON FILE IN THE OFFICE OF THE COMMISSION, TO LEASE FOR THE PURPOSE OF EXPLORING AND EXTRACTING AND PRODUCING OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES FROM THOSE CERTAIN TIDE AND SUBMERGED LANDS LYING IN SANTA MONICA BAY, LOS ANGELES COUNTY, DESIGNATED AS OIL AND GAS LEASE NO. 137, GRANTED TO THE CITY OF LOS ANGELES BY LEGISLATIVE GRANT DESCRIBED IN CHAPTER 77, STATUTES OF 1917, AS AMENDED BY CHAPTER 1513, STATUTES OF 1945, AND IN CHAPTER 651, STATUTES OF 1929, AS AMENDED BY CHAPTER 443, STATUTES OF 1951.