

MINUTE ITEM

This Calendar Item No. 20

was submitted for information
only, no action thereon
being necessary.

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7/22/82
W 40185
Everitts

OIL AND GAS LEASE SALE
IN THE POINT CONCEPTION-POINT ARGUELLO AREA

Claire Dedrick, Executive Officer, briefly summarized the item before the Commission. Commission-Alternate Susanne Morgan indicated her desire to meet with staff before proceeding any further with the lease program.

Chairman Cory expressed the opinion that the bid process commence as soon as practicable, but that an award not be made until after January 1, 1983, giving the new Commission the opportunity to award the bid.

The Commission directed staff to prepare a flow chart detailing the Commission's options for future action.

It was the Commission's intent to proceed with certification of the EIR at the earliest possible time, as that action would be necessary before proceeding with the bid process. In that regard, Claire Dedrick assured the Commission that the appropriate state and local agencies were being consulted throughout the EIR process.

Dave Ackerman, Commission-Alternate, was concerned that adequate notice be given to all interested parties on subsequent meetings to consider the bid form, etc. Mr. Ackerman felt that the normal ten day notice provision was not sufficient time for all interested parties to discuss these issues. Susanne Morgan, Commission-Alternate, felt that a flow chart would assist the Commission in determining appropriate notice requirements.

There was no further discussion.

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7/22/82
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OIL AND GAS LEASE SALE
IN THE POINT CONCEPTION-POINT ARGUELLO AREA

In May 1982, the Commission submitted a supplemental report to the Legislature on the its proposed 40,000-acre oil and gas lease sale in the Point Conception-Point Arguello area.

Staff efforts or other significant events relative to that program, follow.

OCS SALES: OCS Sale #53, held May 28, 1981, was a high point for industry expenditures for California offshore oil and gas leases, setting a record high bid of \$333.6 million for a single tract. OCS Sale #68, held July 11, 1982, was a disappointment by comparison. However, there are several mitigating factors:

1. Most of the property had been exposed in previous sales.
2. Most of the tracts not previously exposed were in deep water.
3. Apparently, no large structures were on the sale tracts.
4. Economic projections for the oil industry have changed.

(Added 7/21/82)

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The one tract that is adjacent to the Point Conception project area brought a high bid of a little over \$8 million for 3,796 acres, but was rejected by the Minerals Management Service of the Federal government as insufficient.

REORGANIZATION: As of July 1, 1982, the Long Beach office was combined under a single authority with a Chief and Assistant Chief, Extractive Development Program. This reorganization will allow for a broader use of personnel in the future on the Point Conception project.

ENVIRONMENTAL IMPACT REPORT:

Staff has conducted three public hearings on the draft EIR, two in Santa Barbara, and proposes to present it to the Commission on August 26, 1982 for their consideration and certification. Additionally, staff feels that, pursuant to PRC 6873.2, it may be desirable to conduct an additional hearing to make specific determinations. It is possible that this latter hearing could be concurrent with the Commission's hearing to consider certification of the EIR.

GEOPHYSICAL EXPLORATION:

The Commission has accumulated a variety of geophysical data on the proposed lease area which is available for public inspection and reproduction. This data have been collected over the past three years in an effort to assess the oil and gas potential of this area. The data were acquired with special funding from the Legislature and include approximately 210 miles of non-proprietary high resolution seismic data and 91 miles of deep seismic data and interpretive maps. It is recommended that this data be made available immediately for public review.

\$425,000 is included in the 1982-83 budget for continuation of geophysical data acquisition relating to pre-lease evaluation of state-owned lands. Staff feels that the most efficient

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use of those funds will be for interpretation of data received from industry under the Commission's new regulations and geophysical permitting system. With that in mind, staff have met with industry, preparing a permit form, and proposes to receive applications and recommend to the Commission, at their August 26, 1982 meeting, to accept the form of permit and issue a series of permits to qualified applicants at that same meeting.

LEASE FORM:

A general form of lease has been drafted by staff counsel, as has preliminary work, on a net-profits accounting schedule. The office of the Attorney General has been asked to cooperate in the finalization of the lease form. They will also be asked to help in the development of the bid package.

LEGISLATION:

Legislation is required to allow the Commission to require unitization of any lease entered into, if made necessary by drainage from leases on the Federal OCS, other leases on the uplands or other State leases. Staff, in conjunction with a WOGA ad hoc group, have drafted proposed language which will be submitted to WOGA for their further review and comments.

TIMING:

The Commission has great flexibility in its timing of any proposed lease sale.

Assuming that the EIR is certified by the Commission on August 16, 1982, and the notice to lease is completed September 6, 1982, bids could technically be received on September 20, 1982 (14-day required notice period). Therefore, recommendation for lease awards could be made at the October 1982 meeting. However, this is a minimum schedule which would limit the time for industry to conduct additional geophysical exploration surveys.

From a practical standpoint, any prudent bidder uses risk factors that reduce the value of a lease and the less they know about the potential of the lease, the larger the risk factor, and therefore, the smaller

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the bid. A 60-90 days exploration period would be the minimum desired by the industry which, if allowed, would postpone any lease award into the following calendar year.

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