

3. (PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LANDS, RINCON AREA, VENTURA COUNTY - W.O. 1436, P.R.C. 1466.1.) The following report was presented to the Commission by the staff:

"On July 28, 1954 (Minute Item 35, pages 2136-41), the Commission re-referred to the staff for further study, report and recommendation, the question of issuing an oil and gas lease for the 1,175-acre parcel of tide and submerged lands in the Rincon Area, Ventura County, as detailed in the published notice of intention under W.O. 1436. It was directed that a request was to be made to the Attorney General that he assist by giving opinions on legal problems presented and by having a representative present at a special hearing to be held by the Executive Officer.

"A meeting was held August 11, 1954 with 31 representatives of all bidders and other interested parties. A resume of all legal objections relative to the award of the oil and gas lease was developed with complete agreement that all of the legal issues involved were covered, that each objection was expressed properly and that the order of reference to the Attorney General for opinion was satisfactory.

"A written informal opinion has been received from the Office of the Attorney General, under date of October 6, 1954, in response to the questions referred to that office pursuant to the hearing held. The Office of the Attorney General has concluded as follows:

1. None of the objections is well taken.
2. Richfield's bid of 5.2375 is the highest qualified bid and may properly be accepted by the Commission. (See Public Resources Code Section 6836.)
3. If the Richfield bid is accepted, the lease should provide for a minimum royalty of 30%.

"Further reviews have been completed as to the operating potentialities under the proposed lease in the currently producing and prospective oil zones. Estimates based on expected producing averages predicated on prior production history in the Miley zones of the offshore Rincon Oil Field show that Richfield Oil Corporation could realize a profit from operations under the proposed lease. Extremely limited production data from one producing well in the deeper oil zones and geologic data from another well being drilled currently do not give any results which are significantly different than the average estimates developed for the Miley zones."

Presentations, pro and con, were made by the following:

Pierce Works, Richfield Oil Corporation
Hugh B. Martin, an individual
William S. Scully, for Mr. Martin
Alvin J. Rockwell, Union Group
George F. Schroeder, Standard Oil Company

Numerous protests from property owners', sportsmen's, and other similar organizations from areas remote from the area proposed to be leased were received and filed. No interference with the recreational use of lands littoral to tidelands and submerged lands involved was alleged to be likely to occur.

Questioning of witnesses and discussion by the Commission was exhaustive.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED AS FOLLOWS:

THE EXECUTIVE OFFICER IS AUTHORIZED TO ISSUE AN OIL AND GAS LEASE TO RICHFIELD OIL CORPORATION, THE HIGHEST QUALIFIED BIDDER, IN ACCORDANCE WITH DIVISION 6 OF THE PUBLIC RESOURCES CODE FOR THE 1,175-ACRE PARCEL OF TIDE AND SUBMERGED LANDS IN THE RINCON AREA, VENTURA COUNTY, AS DETAILED IN THE PUBLISHED NOTICE OF INTENTION UNDER W.O. 1436. THE ROYALTY RATE BID FACTOR FOR SAID LEASE IS TO BE 5.2375, AS OFFERED BY THE RICHFIELD OIL CORPORATION IN THE BID FORM OF LEASE AND THE MINIMUM OIL ROYALTY RATE IS TO BE 30% AS OFFERED BY THE RICHFIELD OIL CORPORATION IN THE LETTER OF TRANSMITTAL OF JUNE 30, 1954.

4. (PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LANDS, HUNTINGTON BEACH, ORANGE COUNTY - W.O. 1809.) The following report was presented to the Commission by the Staff:

"The Commission has authorized the offer of oil and gas leases on 2,640 acres of tide and submerged lands at Huntington Beach, adjoining Newport Beach, Orange County (April 27, 1954, Item 5, pages 2057-58; July 28, 1954, Item 3, page 2106 and Item 4, pages 2106-07).

"Recent leasing experience has indicated the desirability of consideration of modification of some of the basic conditions of the standard lease offer to permit simplification of field operation and accounting requirements and to afford maximum clarity in the bases for competitive bidding within limitations which will assure bids in the best interest of the State.

"Specifically, the suggestions for modification of the present oil and gas lease form for tide and submerged lands are:

1. Calculation of lease royalties based on shipments from the lease instead of on production from the lease. This procedure would not affect the royalty return to the State in the aggregate but would permit simplified and more economical field operation, inspection and accounting.
2. In the case of a quitclaim of a portion of a lease, reservation to the State of reasonable drill sites and storage areas within the lease area not quitclaimed. Such areas could be indispensable for development in the event of re-leasing the quitclaimed areas. In addition, this requirement would assist in assuring that quitclaim was reasonably necessary in the first instance.