

3. (AMENDMENTS AND ADDITIONS TO RULES AND REGULATIONS - W. O. 1855; OIL AND GAS LEASE AUTHORIZATION - W. O. 2046; OIL AND GAS LEASE APPLICATION - W. O. 2253.) The following report was presented to the Commission:

"The notice of proposed changes in the regulations of the Commission published February 21, 1956, authorized January 19, 1956 (Minute Item 15, page 2554) specified that 'any person interested may present statements, arguments, or contentions in writing relevant to the action proposed . . . at or before . . . the 22nd day of March, 1956'. No statements, arguments, or contentions respecting the rules proposed to be adopted were received in writing prior to the terminal date specified. However, on April 9, 1956 proposals were received from Shell Oil Company, Continental Oil Company, Superior Oil Company, and Union Oil Company of California, suggesting extensive revisions in the changes in regulations as proposed.

"The proposed form of oil and gas lease authorized for final preparation under W. O. 2046 on February 9, 1956 (Minute Item 1, pages 2576-84) was approved as to form by the office of the Attorney General March 1, 1956 and transmitted to the Western Oil and Gas Association for review on March 5, 1956. On April 9, 1956 Mr. Paul K. Home presented a summary of comments on the proposed lease form on behalf of the Public Lands Committee of the Western Oil and Gas Association. This summary also proposes a number of revisions for inclusion in the lease form to be used under W. O. 2046 (Summerland area, Santa Barbara County).

"On February 9, 1956 the Commission requested the Western Oil and Gas Association and directed the staff to present full analyses of the problems attendant to specification of any geological or geophysical exploration survey permit requirement that exploration results be made available to the Commission for utilization in the classification of State lands considered for oil and gas offer under the Public Resources Code. A letter report was received from the Western Oil and Gas Association April 5, 1956 stating in part that 'the Association has been working for some time and is still actively working on an answer to this question, and in order to enable the Association to continue its efforts, it is requested the Commission allow us until May 15, 1956 to present an answer to the Commission's question'.

"Finally, on April 9, 1956, a letter was received from the General Petroleum Corporation requesting that the Commission withhold from lease offer all State-owned offshore lands until after a policy is established relating to disposition of data resulting from exploration permits. The deferment of any lease consideration is requested for a sufficient time to permit prospective bidders to conduct and evaluate geological surveys, including core drilling, in all areas that have been nominated for leasing. The same general request was also received from Richfield Oil Corporation on April 9, 1956."

The Commission was informed that subsequently a request to the same effect had been received from the Signal Oil and Gas Company by letter, and from the Hancock Oil Company by telephone.

The Executive Officer reported that although the legal time had expired during which suggestions for changes to the rules and regulations were to be accepted, he had received on April 9, 1956, from a group of four oil companies (Shell Oil Company, Continental Oil Company, The Superior Oil Company, and Union Oil Company of California) a number of proposed changes in the regulations affecting offshore operations, with a request that these changes be given due consideration. Furthermore, on April 9, 1956, a letter had been received from the President of the Western Oil and Gas Association, requesting the deferral by the Commission until May 15, 1956 of action relating to the furnishing of information to the Commission on the results of geophysical exploration and core drilling.

The Executive Officer reported that a further subsequent development was the receipt of a telegram from a representative of Edwin W. Pauley, agreeing under certain conditions to a special reservation to be inserted in the requested permit for geophysical exploration.

On the basis of the foregoing late information, the staff suggested that the Commission defer action on Calendar Items 46, 39, and 41, and consider individually, on the basis of their merits the calendar items pertaining to submarine geophysical exploration and to geological survey permits.

Mr. Don Woodward appeared on behalf of the St. Anthony Oil Corporation and objected to further deferment of Calendar Item 39, stating that his company's original request that the area be offered for lease was made on January 4, 1955 and that representatives of the company had cooperated with the staff on all requests made for information needed. After the close of the 1955 session of the legislature, the application was resubmitted under the Shell-Cunningham Act. As to any conditions that might be incorporated in the lease that could be used as a precedent, he felt that the problems involved are peculiar to this lease alone, and that each future lease should be submitted and considered individually. Mr. Woodward assured the Commission that the proposed lease in its present form would be acceptable to the St. Anthony Oil Corporation. He did not feel that any further delay on issuance of the lease was justified.

Mr. Kirkwood asked whether it was feasible to issue a lease before the new rules and regulations being considered by the Commission are definitely adopted. He pointed out that while each lease is tailored to particular conditions, he believed rules and regulations would have to be adopted first.

The Executive Officer indicated that he would hesitate to advertise for bids on a lease offer subject to rules and regulations still to be adopted.

Mr. Paul K. Home, who stated that he was appearing at the request of the Chairman of the Public Lands Committee of the Western Oil and Gas Association, indicated that he did not desire to delay the particular lease under consideration, but asked the Commission to bear in mind that the lease form proposed was based largely upon the type of lease which the State had adopted and used under the

statutory procedure in effect before adoption of the Shell-Cunningham Act, and that there are conditions in the form which do not meet the requirements of the present act. He felt that the changes being recommended are important, and urged that an early date be fixed at which representatives of the association may meet with the staff of the Commission and with representatives of the Attorney General's office in an endeavor to arrive at a type of lease form which will be compatible with the present act.

The Executive Officer recommended deferring action on the leasing of the Summerland area until after there has been an opportunity to review the changes which have been suggested for the lease form, and until after the Commission adopts rules and regulations which are more or less controlling in the lease form.

Mr. Kirkwood questioned whether the Commission was punishing the St. Anthony Oil Corporation by deferring action. Mr. Woodward reported that further delay on the application definitely would work a hardship on his company, and he asked why the rules and regulations to be considered would have to relate to this particular form of lease. The Executive Officer stated that there would be a question of whether the Commission could obtain fair bids if these rules and regulations were not known at the time the bids were requested. Mr. Hortig pointed out that under the Shell-Cunningham Act there is a provision that any lease issued shall be subject only to rules in effect at the time the lease is issued. Mr. Woodward then asked if this meant that no leases could be issued until the new rules and regulations are adopted, and was informed that that was right, after which he pointed out that many sections in the proposed lease are taken almost verbatim from the Shell-Cunningham Act, and again emphasized that as far as St. Anthony is concerned there is a time factor involved which is becoming critical, and once more he stated that the lease in its present form would be acceptable to his company.

Mr. Kirkwood asked how soon the matter could be settled, and if a definite date could not be set beyond which no further suggestions for changes would be accepted, and was informed by the Executive Officer that the last suggestions made were received about two weeks late, and the problem was reaching a point where something definite would have to be done. The Chairman then asked if it appeared that the oil industry was engaging in dilatory tactics, directing his query to Mr. Home and requesting an explanation of the circumstances under which the request for delay was made. Mr. Home reported that the only request made by the Public Lands Committee was for a change in the lease form, although indirectly this referred to the rules and regulations. The Executive Officer confirmed this statement.

Mr. Paul A. Lower remarked that Mr. Home was entirely correct in stating that he was speaking only on behalf of the Public Lands Committee, and that the Executive Officer was correct in saying that the matter was considered by the Offshore Operations Committee. He indicated that he and several of the men who are on committees of the Western Oil and Gas Association have been quite busy the last few weeks, and that it was the four companies with which he is associated--Union, Continental, Shell, and Superior--that had the suggestions to make, but had not had time even to submit them to the Public Lands Committee before referring them to the Commission. He stated that he was sorry they were late, but felt that in the interests of the State as well as the oil industry,

consideration of adoption of new rules and regulations should be further delayed, as the changes suggested are in the nature of what should be included.

Mr. Kirkwood asked if there was some way of going ahead without becoming involved later, which would mean that the Commission would have to adopt the rules and regulations, and was informed by the Executive Officer that there were two ways out: One would be to amend the form of lease slightly, which he thought would not be legal. The other way would be to cut down the time of advertising, as although it has usually in the past been customary to allow a 60-day period, under the law this could be reduced to a minimum of 14 days.

The Chairman then asked if the industry would be ready to submit final recommendations if another 30-day delay was allowed. Mr. Harry Morrison, Assistant Manager of the Western Oil and Gas Association, referred the Chairman to his letter of April 4, 1956, which had reference to only one point, the divulging of confidential information on core drilling, etc., and stated that that letter asked if they could have until May 15 to come up with an answer. Mr. Morrison noted that there was confusion with reference to three points: (1) The question of deferment with reference to geological information, on which deferment is asked until May 15; (2) The item involving changes in the rules and regulations (Calendar Item 46 of the agenda), on which the staff had met with the Offshore Operations Committee and reached what they thought was a firm conclusion with reference to rules and regulations, and on which subsequently an individual action took place in which one or more companies requested changes; (3) The item involving proposed changes in the Summerland area lease, which changes are a matter of discussion among the members of the Public Lands Committee of the Western Oil and Gas Association.

Mr. Home commented that a good many of the changes in the Summerland lease were, in his opinion, of general application and not limited to the area covered by the Summerland lease; that the changes suggested are not numerous or highly controversial, and he felt that long before May 15 the Public Lands Committee should be ready with final recommendations.

The St. Anthony Oil Company's representative was asked if it would be fatal if a decision was postponed one more month. He said "no"; that all he wanted was a firm commitment.

Mr. Kirkwood made a motion that action be deferred on the adoption of new rules and regulations and on the Summerland lease until the meeting of the Commission to be fixed in the week following May 15. The Executive Officer suggested the addition of Calendar Item 41 to this motion, after which the motion was seconded by Mr. Powers.

Mr. Goodwin of the Richfield Oil Corporation referred to his company's letter of April 6, containing a request that these leases, especially those involving wildcat lands and tidelands, not be offered for lease until such time as the potential bidders have had an opportunity to evaluate the areas involved, and referred to the application which it has submitted to conduct core-hole drilling below 500 feet, for which a permit has not yet been granted, and which he felt should not be granted until the question had been settled as to whether resulting confidential information would have to be disclosed to the State Lands

Commission. He did not believe it was in the interest of the State to offer wildcat lands for lease until the State is in a position to get good competitive bidding.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED THAT ACTION ON THE FOLLOWING ITEMS BE DEFERRED UNTIL SOMETIME DURING THE WEEK FOLLOWING MAY 15, 1956:

- A. AMENDMENTS AND ADDITIONS TO TITLE 2, CALIFORNIA ADMINISTRATIVE CODE - W. O. 1855 (CALENDAR ITEM 46).
- B. OIL AND GAS LEASE AUTHORIZATION, SUMMERLAND AREA, SANTA BARBARA COUNTY - W. O. 2046 (CALENDAR ITEM 39).
- C. OIL AND GAS LEASE APPLICATION, SECTION 6871.3, PUBLIC RESOURCES CODE, SANTA BARBARA COUNTY - W. O. 2253 (CALENDAR ITEM 41).
4. (SUBMARINE GEOPHYSICAL EXPLORATION, LOS ANGELES COUNTY, EDWIN W. PAULEY - W. O. 2298, P.R.C. 1685.1.) The following report was presented to the Commission:

"Mr. Edwin W. Fauley has made application for authorization to conduct submarine geophysical exploration operations on those tide and submerged lands under the jurisdiction of the State Lands Commission lying between Pt. Dume, Los Angeles County, and the seaward prolongation of the common boundary line between the Cities of Los Angeles and Long Beach. An operating permit has been requested for a 90-day period starting April 15, 1956. The Board of Supervisors of the County of Los Angeles has been informed that this application is to be considered. The statutory filing fee has been paid by the applicant.

"In view of the request of the Western Oil and Gas Association for deferment of consideration of any general conditions relating to access to geological and geophysical data, the opinion of the office of the Legislative Counsel relative to the requirements for data upon which to predicate a land classification, and the pending request to the office of the Attorney General for further opinion on the same subject, it is suggested that a specific condition be included, as follows, in any permit issued for the conduct of geophysical exploration:

The Commission reserves the right to receive, and upon demand by the Commission the permittee shall furnish, copies of all exploration results, logs, and records for the confidential use of the State Lands Commission for the sole purpose of its determination as to whether the areas or any portion thereof embraced within the permit lie within a known geologic structure of a producing oil or gas field."

The Executive Officer referred to a telephone conversation he had had with Mr. J. Barton Hutchins, representing the applicant, and also to a telegram