

MINUTE ITEM

40. PROPOSED OIL AND GAS LEASE, VENTURA COUNTY - W.O. 4280 (PARCEL 5A).

After consideration of Calendar Item 33 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO OFFER A PARCEL OF TIDE AND SUBMERGED LANDS IN VENTURA COUNTY TO BE KNOWN AS PARCEL 5A FOR OIL-AND-GAS LEASE PURSUANT TO DIVISION 6 OF THE PUBLIC RESOURCES CODE.

THE LEASE AWARD IS TO BE MADE TO THE QUALIFIED BIDDER OFFERING THE HIGHEST RATE OF OIL ROYALTY.

THE BID-LEASE FORM TO BE UTILIZED SHALL BE THE BASIC LEASE FORM ADOPTED BY THE COMMISSION ON NOVEMBER 15, 1960, WITH EXHIBITS "A", AND "B" MODIFIED IN THE FORM ATTACHED HERETO.

THE PROPOSED AREA IS ADJACENT TO A PRODUCING OIL-AND-GAS FIELD AND IS DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE ORDINARY HIGH WATER MARK ON THE SHORE OF THE PACIFIC OCEAN AS SHOWN UPON THE MAP RECORDED IN BOOK 18 OF THE RECORDS OF SURVEYS, VENTURA COUNTY, CALIFORNIA, AT PAGE 23, ET SEQ.; SAID POINT HAVING ZONE 5 CALIFORNIA COORDINATES OF $X = 1,620,578.76$ FEET AND $Y = 261,232.37$ FEET; THENCE SOUTHEASTERLY ALONG THE ORDINARY HIGH WATER MARK 10,650 FEET, MORE OR LESS, TO A POINT HAVING COORDINATES OF $X = 1,624,800.03$ FEET AND $Y = 251,480.31$ FEET; THENCE S. $73^{\circ} 00' 20''$ W., 10,560 FEET; THENCE NORTHWESTERLY PARALLEL TO AND 10,560 FEET DISTANT FROM SAID ORDINARY HIGH WATER MARK TO A POINT WHICH BEARS S. $73^{\circ} 00' 20''$ W. FROM THE POINT OF BEGINNING; THENCE N. $73^{\circ} 00' 20''$ E. TO THE POINT OF BEGINNING, CONTAINING 2,560 ACRES, MORE OR LESS.

(COURSES USED IN THIS DESCRIPTION ARE BASED UPON THE CALIFORNIA COORDINATE SYSTEM, ZONE 5).

LEASE RENTAL IS TO BE \$1.00 PER ACRE PER YEAR.

Attachment

Calendar Item 33 (7 pages)

CALENDAR ITEM

33.

PROPOSED OIL AND GAS LEASE, VENTURA COUNTY - W.O. 4280 (PARCEL 5A).

On October 27, 1960, Minute Item 23, page 6412, pursuant to a request by the Ventura County Board of Supervisors, the Commission authorized the Executive Officer to determine a date for, and to publish notice that, a public hearing would be held in Ventura County by the Commission, or by its Executive Officer, to consider factors for subsequent Commission determination of the proposed oil-and-gas-lease terms and conditions for that area of tide and submerged lands, containing approximately 2,560 acres in Ventura County, lying between the southerly boundary, extended, of State Oil and Gas Lease P.R.C. 735.1 and a point on the high water mark approximately two miles southeasterly and extending seaward two statute miles.

On July 31, 1961, a public hearing was held in Ventura County. Representatives of the City of Ventura and of the City of Oxnard were among those present. No objections were made to the proposed lease offer.

On September 14, 1961 (Minute Item 23, page 7284), the Executive Officer was authorized to offer for oil and gas lease, pursuant to Division 6 of the Public Resources Code, the parcel of tide and submerged lands in Ventura County designated Work Order 3560 (Parcel 5), the lease award to be made to the qualified bidder offering the highest cash-bonus payment. Pursuant to this authorization, a Notice of Intention was published on September 22, 1961, and on September 29, 1961, with December 4, 1961, specified for receiving and opening bids. No bids were submitted for this parcel.

A further review of the proposed oil-and-gas-lease terms and conditions for bid-offer has been completed, in which full consideration was given to the operating and administrative experiences derived from the last series of oil-and-gas leases awarded by the Commission in Santa Barbara County. As a result, it is suggested that consideration be given to reoffer of the parcel, using the same basic lease form, except that the lease award be made to the qualified bidder offering the highest rate of royalty in consideration of the issuance of an oil-and-gas lease, and that the well spacing requirements of Exhibit "A", Section 3, subparagraph (b) of the lease form be modified to require that at least one well for the production of oil be drilled into each 20 acres of leased land.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO OFFER A PARCEL OF TIDE AND SUBMERGED LANDS IN VENTURA COUNTY TO BE KNOWN AS PARCEL 5A FOR OIL-AND-GAS LEASE PURSUANT TO DIVISION 6 OF THE PUBLIC RESOURCES CODE.

THE LEASE AWARD IS TO BE MADE TO THE QUALIFIED BIDDER OFFERING THE HIGHEST RATE OF OIL ROYALTY.

THE BID-LEASE FORM TO BE UTILIZED SHALL BE THE BASIC LEASE FORM ADOPTED BY THE COMMISSION ON NOVEMBER 15, 1960, WITH EXHIBITS "A", AND "B" MODIFIED IN THE FORM ATTACHED HERETO.

CALENDAR ITEM 33. (CONTD.)

THE PROPOSED AREA IS ADJACENT TO A PRODUCING OIL-AND-GAS FIELD AND IS DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE ORDINARY HIGH WATER MARK ON THE SHORE OF THE PACIFIC OCEAN AS SHOWN UPON THE MAP RECORDED IN BOOK 18 OF THE RECORDS OF SURVEYS, VENTURA COUNTY, CALIFORNIA, AT PAGE 23, ET SEQ.; SAID POINT HAVING ZONE 5 CALIFORNIA COORDINATES OF X = 1,620,578.76 FEET AND Y = 261,232.37 FEET; THENCE SOUTHEASTERLY ALONG THE ORDINARY HIGH WATER MARK 10,650 FEET, MORE OR LESS, TO A POINT HAVING COORDINATES OF X = 1,624,800.03 FEET AND Y = 251,480.31 FEET; THENCE S. 73° 00' 20" W., 10,560 FEET; THENCE NORTHWESTERLY PARALLEL TO AND 10,560 FEET DISTANT FROM SAID ORDINARY HIGH WATER MARK TO A POINT WHICH BEARS S. 73° 00' 20" W. FROM THE POINT OF BEGINNING; THENCE N. 73° 00' 20" E. TO THE POINT OF BEGINNING, CONTAINING 2,560 ACRES, MORE OR LESS.

(COURSES USED IN THIS DESCRIPTION ARE BASED UPON THE CALIFORNIA COORDINATE SYSTEM, ZONE 5).

LEASE RENTAL IS TO BE \$1.00 PER ACRE PER YEAR.

Attachments

Exhibits "A" and "B"

EXHIBIT "A"

1. All operations hereunder shall be conducted in accordance with generally accepted good oil field practices.

2. An oil or gas zone is hereby defined to mean any sequence of strata containing oil, gas or other hydrocarbon substances, wherein the reservoir characteristics, such as pressure, temperature, specific gravity, viscosity, permeability, and porosity are similar and whenever such sequence of strata is separated from dissimilar producing strata by a competent layer of shale, or other impervious rock.

3. Within one hundred and twenty (120) days from and after the date of the cessation of drilling operations in the first well, the Lessee shall commence operations for the drilling of the next well. Operations for the drilling of each succeeding well thereafter shall commence within one hundred and twenty (120) days from and after the cessation of drilling operations in the preceding well. Without limiting the generality thereof, the term "drilling operations" as used in this Section 3 shall include any or all of the following: Actual drilling in the ground, logging or surveying the well bore, coring, sidewall sampling or coring, drill stem or formation testing, carrying on fishing operations, running and cementing protection or production casing, running tubing, perforating casing for production, milling casing, reaming, setting whipstock for redrilling, operations to stop lost circulation, actual plugging and abandonment of said well. As used in this section the term "cessation of drilling operations" shall not include a temporary stoppage of drilling operations of less than seventy-two (72) hours' duration for a purpose or purposes related to the resumption of drilling operations in the same well, nor to a stoppage of longer duration for such purpose or purposes where such stoppage is approved by the State or any authorized representative thereof. During the initial drilling term of three (3) years or any extension thereof, and irrespective of the requirements of this Section 3, Lessee may at its option suspend or resume drilling operations at any time and from time to time. After oil or gas shall have been discovered in commercial quantities in any oil or gas zone in the leased lands, there shall be drilled to each commercially productive oil or gas zone, if it is mechanically practicable to do so, wells as follows:

- a. At least one (1) well for the production of oil into each twenty (20) acres of the area contained in the leased lands where the bottom of the productive interval of the well as completed for production is at a vertical depth of less than 6,000 feet below mean sea level.
- b. At least one (1) well for the production of oil into each forty (40) ~~twenty~~ (20) acres of the area contained in the leased lands where the bottom of the productive interval of the well as completed for production is at a vertical depth in excess of 6,000 feet below mean sea level.

- c. At least one (1) well for the production of gas or gas condensate from any zone which produces gas or gas condensate only into each three hundred and twenty (320) acres of the area contained in the leased lands.

It is understood that the drilling requirements as set forth in Subparagraphs a, b, and c of this Section 3 are required for and are applicable to each separate commercially productive oil or gas zone, respectively. A well may, with the approval of the State, be completed in more than one zone, and for the purpose of satisfying the drilling requirements of Subparagraphs a, b, and c of this section, and for such purpose only, shall be considered a well for each zone into which it is completed and producing. Lessee hereunder shall not be required to operate more than one (1) drilling string at any time, unless the operation of more than one (1) drilling string at any time is necessary in order to commence an offset well within the time required by Section 5 of this exhibit.

4. Any well drilled in accordance with the provisions of this lease shall be drilled only from a surface location and on a course and to an objective approved in writing by the State prior to the commencement of drilling.

5. In the event any well has been, is or shall be completed on other than State lands, with any part of its producing interval within five hundred (500) feet from the exterior boundary of this lease, and if such well is capable of producing oil or gas in commercial quantities, provided Lessee is not drilling or has not theretofore drilled an offset well thereto on the leased lands, then the State may notify the Lessee in writing to drill an offset well thereto, and within such reasonable time as shall be specified in said notice, which time shall take into account the availability, type and location of facilities required and which, in no event, shall be less than one hundred and twenty (120) days from the date of such notice, the Lessee shall commence operations for the drilling of an offset well on the leased lands to the same zone as that zone from which such well is producing, or is capable of producing, oil or gas. For the purpose of this section an offset well shall mean a well the producing interval of which is situated at a location in the leased lands not more than five hundred (500) feet from the point on the boundary of the lease nearest to the producing interval of the well to be offset.

6. An electric log or logs shall be made of all formations penetrated to the drilled depth of each well or to such depth as is mechanically possible. At least one oriented core or dipmeter record shall be made during the drilling of the first well to each zone if it is mechanically practicable to do so or during the drilling of the earliest subsequent well in which it is mechanically practicable to make such core or record. True and correct copies of all electric logs, surveys, paleontological reports, dipmeter records, oriented core records, rock core records and all other drilling, test, and production data taken by Lessee or his agents shall be immediately available to the representatives of the State, and said representatives shall also have ready access to all rock cores and samples which may be obtained during the drilling of each well.

7. Each well drilled landward of the ordinary high water mark shall when required by the State be completed in such manner that all production equipment and facilities shall be recessed, covered, or otherwise screened from view to the satisfaction of the State.

8. The State reserves and retains the right, upon receipt of any evidence of subsidence of the surface of either the leased or adjacent lands, to determine that any or all further operations under this lease would or might aggravate or cause subsidence to the impairment or interference with the developed shoreline recreational or residential areas adjacent to the leased lands or damage to other shoreline properties. In the event of such determination, the State may notify the Lessee, in writing, to suspend in the manner and to the extent specified in said notice, all or any part of Lessee's operations under this lease within thirty (30) days of said notice, and the Lessee agrees to suspend said operations within said time in the manner and to the extent so specified.

Exercise of either or both of the foregoing rights by the State is subject to the following PROVISOS:

(1) Such determination may be made by the State Lands Commission at any time during the effective term of this lease but only at a meeting of said Commission following at least thirty (30) days after written notice to Lessee that the Commission has received evidence of such subsidence and proposes to determine whether any or all further operations under this lease would or might cause or aggravate subsidence to the impairment or interference with the developed shoreline recreational or residential areas or damage to other shoreline properties adjacent to the leased lands. At any such meeting, Lessee may present facts and arguments relevant to such determination.

(2) At least thirty (30) days prior to said meeting, the State shall, to the best of its ability and to the extent permitted by law, make available to Lessee for study any and all written and graphic information and opinions theretofore received or prepared by or for the Commission relative to subsidence of the surface of the leased and adjacent lands.

(3) Operations under this lease suspended pursuant to this Section 8 may be resumed by Lessee, in whole or in part, only in the manner and to the extent provided and subject to conditions contained in a program, agreed to by both the State and Lessee, designed to alleviate or prevent further subsidence.

(4) Notwithstanding any agreement by the State to any such program, the State may, upon receipt of evidence of further such subsidence occurring subsequent to the resumption of operations under such program, notify Lessee to again suspend operations in accordance with the provisions of this Section, and Lessee agrees to so suspend operations.

During any such period of suspension in whole or in part pursuant to this Section 8, the drilling, offset, and production obligations of Lessee shall likewise be suspended in whole or in part to the extent and only to the extent that the performance of such drilling, offset, and production obligations is rendered impracticable or unreasonable as a result of the notice to suspend issued by the State pursuant to this Section 8.

The rights reserved and retained by the State Lands Commission under this Section 8 shall be exercisable to the extent and only to the extent that such exercise is permitted by law at the time of such exercise.

EXHIBIT "B"

The undersigned _____

hereby offer(s) to pay to the State of California an oil royalty according to the following formula as consideration for the issuance of Oil and Gas Lease W.O. 4280 (Parcel 5A), pursuant to the published Notice of Intention and proposal by the State Lands Commission.

$$R = \frac{P}{3 + 0.01P} \times F$$

Where R is the royalty rate in per cent, and

P is the average production of oil per well per day under the lease determined by dividing the total lease production in barrels for the month by the total number of well-production days of twenty-four (24) hours each.

F is the bid factor which shall be a first power number to be inserted below by the bidder.

Insert bid factor:

F = _____

Provided, however, the Lessee shall pay at all times a minimum oil royalty rate of not less than sixteen and two-thirds (16-2/3) per cent, and a maximum oil royalty rate of not more than fifty (50) per cent.

A check or checks in the total amount of Twenty Thousand and No One-hundredths Dollars (\$20,000.00) is or are transmitted herewith as a deposit.

It is understood that no variation shall be made in the prescribed form of offer and that the insertion of any additional condition, qualification or provision hereon will invalidate the bid.

By: _____