

MINUTE ITEM

45. APPROVAL OF RESOLUTION, OIL AND GAS LEASE, CITY OF LOS ANGELES, SANTA MONICA BAY, LOS ANGELES COUNTY - W.O. 4636.

In reviewing Calendar Item 20 attached, Commissioner Anderson called attention to the problem of aesthetics that would result from unlimited offshore drilling platforms and islands in Santa Monica Bay, and the fact that this lease, if approved, would set a precedent in the general area.

Following consultation with Mr. Arthur O. Spaulding, Petroleum Administrator for the City of Los Angeles, it was agreed that exploratory discussions should be held between the City and the State, and that this matter should be placed formally on the agenda for the State Lands Commission meeting scheduled for September 18, 1964.

Attachment

Calendar Item 20 (2 pages)

CALENDAR ITEM

20.

APPROVAL OF RESOLUTION, OIL AND GAS LEASE, CITY OF LOS ANGELES, SANTA MONICA BAY, LOS ANGELES COUNTY - W.O. 4636.

At the State Lands Commission meeting on May 28, 1964, action on this item was continued in order to allow for a further review by the Commission of the proposed offer of leases by the City of Los Angeles for the development of oil and gas in Santa Monica Bay.

The City of Los Angeles, acting by and through its Board of Recreation and Park Commissioners, has submitted for approval by the Commission in accordance with Section 7060 and Section 7061 of the Public Resources Code a proposed resolution authorizing and permitting the leasing for the production of oil, gas, and other hydrocarbons, submerged lands granted to the City in Santa Monica Bay, under the jurisdiction of the Department of Recreation and Parks (see Exhibits "A" and "B"). In addition to the proposed resolution to be adopted by the Board of Recreation and Park Commissioners, there was submitted the following:

- a. A legal description of Parcels 1 and 2 for which oil and gas leases are to be sought;
- b. An ordinance proposed to be adopted by the Los Angeles City Council approving the above proposed resolution;
- c. Proposed oil and gas leases 131 and 132 relating to Parcels 1 and 2 respectively.

Section 7058.5 of the Public Resources Code provides in part:

"Before a lease or any operating agreement or other type of agreement for the production of oil, gas, or other hydrocarbons is entered into, ...the governing body of the city shall in open meeting adopt a resolution declaring its intention to take such action. The resolution shall describe the property involved in such manner as to identify it, specify the minimum rental, royalty, or other consideration, and the term of the lease or agreement, the form of the lease or agreement, and one variable, biddable factor, on which bids will be received, and fix a time not less than 30 days thereafter and place for a public meeting of said governing body, at which meeting sealed proposals to lease or contract will be received and considered. The resolution shall, before the date of such meeting, be published once a week for four successive weeks in one or more newspapers of general circulation in the city where the property is situated, or, if there is no newspaper of general circulation in such city, in one or more newspapers of general circulation in the county where the property is situated...."

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Section 7060 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...."

The resolution submitted which has been reviewed by the staff includes the substantive contents required under Section 7058.5 of the Public Resources Code. There is specified the minimum rental of \$5 per acre per year after the first year until drilling is commenced, royalty on a net profits basis with a minimum royalty of 16-2/3%, a maximum term of 30 years, and a cash bonus which the proposed lessee is willing to pay.

After a review of the material submitted, the office of the Attorney General has advised that under the circumstances herein presented, the Los Angeles Board of Recreation and Park Commissioners, as the municipal body with jurisdiction over prospective leased lands, qualifies as the governing body of the city for the purposes of adopting the resolution of intention to lease required by Section 7058.5. The bids for Parcel 1 will be received and considered on the initial date, a date not specified in the proposed resolution. Assuming such date is set at least 30 days after the date of the adoption of the resolution, the date for receiving bids on Parcel No. 1 would be proper. As the proposed resolution complies with the applicable sections of Chapter 5 of Part 2 of the Public Resources Code, the proposed resolution of intention to lease the said property for a period of 30 years may be approved by the State Lands Commission.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO THE PROVISIONS OF SECTION 7060 OF THE PUBLIC RESOURCES CODE, APPROVE THE PROPOSED RESOLUTION OF THE BOARD OF RECREATION AND PARK COMMISSIONERS OF THE CITY OF LOS ANGELES, TO LEASE FOR THE PURPOSE OF EXPLORING FOR, AND EXTRACTING AND PRODUCING OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES FROM THOSE CERTAIN SUBMERGED LANDS LYING IN SANTA MONICA BAY, LOS ANGELES COUNTY, GRANTED TO THE CITY OF LOS ANGELES BY LEGISLATIVE GRANT DESCRIBED IN CHAPTER 77, PAGES 88-90, OF THE STATUTES OF 1917 AS AMENDED BY CHAPTER 1513, STATUTES 1945, AND MORE PARTICULARLY DESCRIBED AS EXHIBIT "B", PARCEL 1 AND PARCEL 2 OF THE RESOLUTION SUBMITTED.