

MINUTE ITEM

32. APPROVAL OF RESOLUTION, OIL AND GAS LEASE, CITY OF LOS ANGELES, SANTA MONICA BAY, ~~LOS ANGELES COUNTY~~ - W.O. 4636. A.A.T.S. #3

Calendar Item 20, attached, was discussed at length.

The Executive Officer noted for the record that a letter had been received from Mayor Yorty of Los Angeles, emphasizing that the City was aware of its obligations to the residents of the Santa Monica Bay region in assuring that the oil operations do not permanently mar the seascape and destroy property values, and requesting that the Commission approve the lease offer at the current meeting.

City Councilman James Harvey Brown appeared and asked that the Council be put on record as approving the recommendation of the staff of the Lands Commission that the lease which the Council has adopted be approved. Upon questioning by Commissioner Anderson, Councilman Brown pointed out that ocean-floor drilling probably would not be satisfactory for the type of oil that may be contained in the area of the proposed lease. He mentioned the concern of the City that its pool, if any, might be drained, and assured the Commission that with the safeguards proposed there should be no concern about the esthetics.

Assemblyman Charles E. Chapel, 46th Assembly District, asked for a postponement or continuance of this matter to determine if adjoining State lands would be subject to drainage by the prospective oil and gas operations of the City of Los Angeles, with a resultant loss of revenue to the State.

The Executive Officer noted that under present State law, drainage would have to be a fact before the sovereign lands in question could be developed by the State.

Mr. A. O. Spaulding, Petroleum Administrator for the City of Los Angeles, requested that Mr. Leonard Shane, President of the Recreation and Parks Commission, be given an opportunity to present the point of view of his department. Mr. Shane reported that the Board has received assurances that there will be a minimum disturbance of the esthetic picture and therefore was unanimous in support of the oil program.

Commissioner Anderson raised a question as to whether the potential revenue gain from the development would be sufficient to offset any esthetic depreciation of the area. Mr. Shane replied that the return would be large enough to enable safeguards to be built in or the operation would be so marginal as to cause its abandonment.

Mr. Karl Ourston of the City Planning Department indicated that the Planning Commission would require whatever facilities are available and practicable to protect the appearance and present use of the ocean. The City has the legal right to do so, and in fact has done so, e.g., at the Fox Hills property in Westwood. The medium of control is through oil drilling districts.

Commissioner Champion offered a tentative motion that the Commission approve the resolution as offered, contingent upon a discussion as to a technique by which

the State, acting through the Executive Officer, would retain review authority at the commencement of the second stage of operations, i.e., subsequent to the completion of exploration activities.

Deputy Attorney General Shavelson pointed out that the principal basis the State has for reserving such authority is the power of the Commission to approve the form of the original lease, which is part of the resolution before the Commission, and to approve any amendments to that lease. He expressed doubt that a reservation of State authority could be made by amending the resolution itself.

Mr. Ourston pointed out that Section A of the proposed lease did give the State a measure of control, inasmuch as it states: "Lessee shall comply with all laws of the State of California and the City applicable ..." However, Deputy Attorney General Shavelson called attention to two aspects of the provision: first that it is limited to action by the Legislature, not by the Lands Commission, and second that it might be well to make it more specific to cover enactments occurring after the date of the lease.

Commissioner Champion stated that his personal position, barring objections from other members of the Commission or representatives of the City of Los Angeles, was to have the Commission record itself as being in favor of the approach to the conduct of operations contemplated by the City of Los Angeles, and ask the City to work out terms of the kind that have been under discussion-- for a final presentation to the Commission at its next meeting.

Mr. Alan Sieroty, on behalf of the Lieutenant Governor, suggested that the City's lease should contain a pricing mechanism that would correspond to that to be adopted by the State for the East Wilmington Field.

Mr. Spaulding indicated the City's willingness to cooperate with the State in this matter.

No formal action was taken.

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.