

MINUTE ITEM

41. 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

The Chairman reported that although it had been indicated at its August meeting that the Commission would act on the proposed oil and gas lease offer in Santa Monica Bay by the City of Los Angeles, it subsequently had been determined that there was legal insufficiency for a satisfactory resolution, at this time, of the problem of operational control by either the City or the State relative to maintenance of desired esthetic standards.

The subject was then discussed at considerable length, with Mrs. Harold C. Morton (introduced by Arthur Spaulding, Petroleum Administrator for the City of Los Angeles), assuring the Lands Commission that the City Recreation and Parks Commission, of which she is a member, was in favor of going ahead with the proposed lease, and giving reasons therefor. Mr. William Frederickson, Jr., General Manager of the Los Angeles Department of Recreation and Parks, also went on record as being in favor of proceeding with the proposed lease.

Mr. Spaulding, in response to various questions, explained a number of points about the proposed development.

UPON MOTION MADE BY COMMISSIONER CRANSTON, SECONDED BY COMMISSIONER ANDERSON, AND CARRIED UNANIMOUSLY, THE COMMISSION:

1. DENIED APPROVAL FOR THE APPLICATION OF THE CITY OF LOS ANGELES IN THE FORM CURRENTLY BEFORE THE COMMISSION.
2. DIRECTED THE STAFF TO EXPLORE ALTERNATE APPROACHES THAT WOULD TAKE INTO ACCOUNT THE NEED FOR KNOWING MORE ABOUT THE POTENTIAL OIL IN PLACE, THE NEED TO PROTECT ESTHETIC VALUES, AND THE NEED TO DEVELOP A LEASE FORM WHICH DOES NOT COMMIT THE CITY AND STATE TO A FORM OF DEVELOPMENT BASED SOLELY UPON THE ECONOMIC DETERMINATIONS OF A LESSEE, TO THE DETRIMENT OF ESTHETIC VALUES.

Thereafter, Rex Minter, Mayor of Santa Monica, submitted a motion in opposition to the granting of the contract, and the following also went on record as being opposed to the proposed oil and gas lease:

.. Evans, representing the Venice Civic Union.

Glenford J. Foster, President of the Marina Peninsula Property Owners Association, Past Chairman of the Venice Planning Committee, and present Chairman of the Oil Committee of the Venice Planning Committee.

Dr. Basil Gordon, President of the Association to Save Santa Monica Bay Beaches, a civic group opposed to oil drilling in Santa Monica Bay.

Kurt Simon, a property owner and alternate member of the Venice Planning Commission.

Willis O. Gooden, President of the Harbor Residents Property Owners Association.

Attachment

- Calendar Item 35 (4 pages)

10,531

*amended by Minute Item 37
Per 10,650, Oct. 22, 1964*

SUPPLEMENTAL CALENDAR ITEM

35.

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 of August 18, 1964, action on this item was deferred. Concern was expressed over the esthetic protection afforded by the form of lease proposed to be offered by the City of Los Angeles for developing oil and gas in the Santa Monica Bay, and as to provisions for determining the value of crude oil produced under the lease. The revision of these provisions has been discussed by the City, the staff, and the office of the Attorney General, with the conclusion that the following suggested modifications represent the maximum control specifications supportable under current statutes:

1. Revise Paragraph 19(a) entitled "Drillsites" (page 12 of the proposed lease form) as follows:

"Unless prohibited by statute or ordinance, subject to provision of Exhibit 'C' attached hereto, each well drilled pursuant to the terms of this lease shall be drilled into the subsurface of the submerged lands covered by this lease from drillsites located upon any filled lands heretofore or hereafter filled, or from any pier heretofore or hereafter constructed, owned by or available to the Lessee and available for such purpose, or from platforms or other fixed or floating structures in, on, or over the tide or submerged lands covered by the lease or otherwise available to the Lessee. Lessee shall at all times advise City and the State Lands Commission of all work which is contemplated on the leased lands at least twenty (20) days before the same is commenced and shall consider the report and recommendation of City's City Administrative Officer and the Executive Officer of said Commission concerning measures which may be taken for the preservation of the aesthetic attributes of the leased lands. To the extent feasible and practicable in accordance with good oilfield practice, the leased lands shall be developed and operated by means of underwater well completions. In the event permanent islands or structures are necessary for efficient oilfield development of the leased lands in accordance with good oilfield practice, such islands or structures shall be of a type and at a location approved by City; provided, however, that no permanent filled lands, piers, platforms, or other permanent fixed or permanent floating structures in, on, or over the lands covered by the lease or otherwise available to the lessee shall be permitted to be constructed, used, maintained, or operated where service of less than 20 wells is provided for. Operating wells not meeting the foregoing requirement shall be completed below such elevation as may be required in each case by the United States, the State, or other competent authority, with production piped along or below the floor of the ocean to such receiving points as the City may determine or approve."

SUPPLEMENTAL CALENDAR ITEM 35. (CONTD.)

2. Revise Section 8 as follows:

"The Lessee shall comply with all present and future valid laws of the United States, State of California, and City, applicable to the Lessee's operations hereunder, including, without limitation by reason of the specification thereof, compliance with Division 3 of Public Resources Code, Statutes of California."

3. Revise Section 19(d) as follows:

"Any offshore filled lands or structure or structures constructed for the purpose of drilling pursuant to this Section shall conform to all present and future rules and regulations of the United States of America, the State of California, and the City. Drilling shall be conducted in conformity with such rules and regulations."

4. Revise Section 2, Subparagraph (c), page 3, Exhibit "A", as follows:

"The term 'sale value' of all oil and other hydrocarbon substances (other than gas and gasoline extracted from gas), as herein used, shall not be less than the highest price or prices in the nearest field in the State of California at which oil of like character, gravity, and quality is being sold in substantial quantities, subject to an appropriate allowance for the cost of delivery of such oil to onshore storage and transportation facilities. In the event that oil of like character, gravity, and quality is not being sold in substantial quantities in the nearest field in the State of California, the sale value shall be the current price per barrel paid to producers generally in the same vicinity for products of like character, gravity and quality. If there be no such prevailing price, then the sale value shall be the reasonable market value thereof on the leased lands."

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. 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.

SUPPLEMENTAL CALENDAR ITEM 35. (CONTD.)

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...."

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.

SUPPLEMENTAL CALENDAR ITEM 35. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO THE PROVISIONS OF SECTION 7060 OF THE PUBLIC RESOURCES CODE, CONSIDER 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 OF 1945.