

25. RESOLUTION, OIL AND GAS LEASE NO. 137, BOARD OF RECREATION AND PARK COMMISSIONERS, CITY OF LOS ANGELES, SANTA MONICA BAY, LOS ANGELES COUNTY - W.O. 5993.

Following presentation of Calendar Item 17 attached, Mr. A. O. Spaulding, Petroleum Administrator for the City of Los Angeles, appeared and read into the record a statement based on geologic conditions as interpreted by the City's consultants, Babson and Burns and Ted L. Bear. The statement outlined the City's reasons as to why the State Lands Commission should approve the City's petition to lease the approximately 1,330 acres of tide and submerged lands seaward of the Hyperion area for oil-and-gas development. (For a complete verbatim report of the arguments presented by Mr. Spaulding, see the reporter's transcript, copy of which is on file in the Los Angeles office of the State Lands Division.)

Due to the introduction of new data by the City to support its position, action was deferred until the next meeting of the Commission, with the staff being directed to present more clearly at that time additional information concerning proposed and potential drill sites. The Commission was desirous of obviating the possibility that pressure might be exerted following development of the area to attempt to justify the use of offshore platforms or islands because of technical and/or economic factors involved. The Commission reiterated its previous stand that the aesthetics of the area must be protected.

The Chairman indicated that, at its next meeting, the Commission hoped to be able to find a way to approve, legally, the petition of the City of Los Angeles.

Attachment

Calendar Item 17 (3 pages)

17.

RESOLUTION, OIL AND GAS LEASE NO. 137, BOARD OF RECREATION AND PARK COMMISSIONERS, CITY OF LOS ANGELES, SANTA MONICA BAY, LOS ANGELES COUNTY - W.O. 5993.

On May 26, 1966 (Minute Item 22, page 12,675) and on September 26, 1966, the Commission deferred action on a proposed resolution of intention to enter into an oil and gas lease for the purpose of exploring for and extracting and producing oil, gas, and other hydrocarbon substances from 1,330 acres more or less of littoral and tide and submerged lands in Santa Monica Bay under the jurisdiction of the Board of Recreation and Park Commissioners. The resolution was submitted by the City of Los Angeles in accordance with Section 7060 and Section 7061 of the Public Resources Code. Section 7060 of the Public Resources Code 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..."

Section 6878(a) of the Public Resources Code provides that no city to which the State has granted tide and submerged lands without reserving minerals shall enter into any lease or agreement for the extraction of oil or gas from such tide and submerged lands in the area lying between Point Fermin and the Los Angeles-Ventura County Line, unless the State Lands Commission shall have made the determinations required under Section 6872; i.e., (1) that oil and gas deposits are believed to be contained in such lands, (2) that the same are being drained by means of wells upon adjacent lands, and (3) that the leasing of the same for the production of oil and gas will be in the best interests of the State.

The Commission requested the Office of the Attorney General to determine the legality of the Commission's approving the resolution if the findings required under Section 6872 cannot be made affirmatively, and directed that the staff evaluate any additional technical data that might be available from the City to assist in making the findings required under Section 6872. Information was submitted by the City, particularly data developed in wells drilled in the Hyperion field, and has been reviewed and coordinated with other available data by the staff.

The conclusion of the Office of the Attorney General (see Exhibit "A") is that the State Lands Commission could approve the proposed resolution and lease submitted by the City of Los Angeles only if it first finds each and all of the following:

1. That recoverable quantities of oil and gas are probably located under the tide and submerged lands in question;
2. That such deposits are probably being drained from wells on adjacent lands;

CALFNDAR ITEM 17. (CONTD.)

3. That under all circumstances an encroachment on the "sanctuary" is in the best interests of the State.

If evidence were available from which the Commission could make all three findings, the Commission should still examine the terms of the proposed resolution and lease; and determine that they are in the best interests of the State.

1. An additional report has been submitted by the City, consisting of a geological interpretation by the City's consultants of available basic data. The geology as developed by the City indicates that the productive area trends in an east-west direction, and that the westerly limit has not been defined. No wells have been drilled between the present producing well on shore and the shoreline in this area. The consultants' report concludes that, since the westerly boundaries of this accumulation are not defined, it is impossible to say if the drainage area of the wells which produced from this reservoir extends beneath those tide and submerged lands owned by the City of Los Angeles in the Santa Monica Bay area.

It is the conclusion of the staff that:

1. It is believed oil may be present within the limits of the area included in proposed Lease No. 137. This belief is not predicated on structure developed from geophysical exploration data or on the coring of potentially productive oil sands, but only on the basis that in this general area, in a parcel containing 1,330 acres underlain by some marine deposits, there could be an accumulation of oil.
2. Based on a review of all available data obtained from wells drilled, there is no evidence of drainage of the lands included in proposed Lease No. 137 by wells completed on the adjacent uplands (in fact, data developed in drilling indicates there is no drainage).
3. Wells drilled into the sanctuary area would be completed from within the sewer plant under the development plan proposed by the City. However, in the event of the discovery of a structure containing oil in commercial quantities and extending into lands adjacent to proposed Lease No. 137, further wells probably could not be drilled most effectively and economically from the sewer plant drillsite.

1. In the supplemental letter presented by the City at the May 26 meeting, it was stated that any revenue derived from tide and submerged lands held in trust in this vicinity would be used to improve the public beaches in the Playa del Rey-Venice area. However, the proposed lease would provide that the Board of Public Works receive 30% of the bonus received and 30% of all revenue produced under the lease for furnishing a 2.33-acre drillsite. /

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT IT CANNOT MAKE THE DETERMINATIONS REQUIRED BY SECTION 6872 OF THE PUBLIC RESOURCES CODE WHICH ARE NECESSARY BEFORE THE AREA OF

CALENDAR ITEM 17. (CONTD.)

TIDE AND SUBMERGED LANDS INCLUDED IN PROPOSED OIL AND GAS LEASE NO. 137 MAY BE OFFERED FOR LEASE;

2. DENY THE PETITION FOR APPROVAL OF THE PROPOSED RESOLUTIONS SUBMITTED BY THE BOARD OF RECREATION AND PARK COMMISSION OF THE CITY OF LOS ANGELES TO LEASE, FOR THE PURPOSE OF EXPLORING AND EXTRACTING AND PRODUCING OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES FROM THOSE CERTAIN TIDE AND SUBMERGED LANDS LYING IN SANTA MONICA BAY, LOS ANGELES COUNTY, DESIGNATED AS OIL AND GAS LEASE NO. 137, GRANTED TO THE CITY OF LOS ANGELES BY LEGISLATIVE GRANT DESCRIBED IN CHAPTER 77, STATUTES OF 1917, AS AMENDED BY CHAPTER 1513, STATUTES OF 1945, AND IN CHAPTER 651, STATUTES OF 1929, AS AMENDED BY CHAPTER 443, STATUTES OF 1951. SUCH DENIAL SHALL NOT BE CONSTRUED TO LIMIT COOPERATION IN ANY MANNER BETWEEN THE CITY AND THE COMMISSION WHEN DATA MAY BE DEVELOPED FROM WHICH THE REQUIRED FINDINGS CAN BE MADE.