

32. (S.R. 109, SENATE INTERIM COMMITTEE ON OIL AND GAS DEVELOPMENT ON STATE LANDS - W.O. 1473.) In conjunction with participation in hearings held by the Senate Interim Committee on Oil and Gas Development on State Lands, the Staff have participated in conferences with the Public Lands Committee of the Western Oil and Gas Association relative to proposed amendments to Division 6, Public Resources Code as they concern oil and gas leases on State lands.

A full presentation of statutory changes desired by the Western Oil and Gas Association was presented to the Senate Interim Committee at hearings held in Los Angeles October 9, 1953, and San Francisco on October 23, 1953. After the October 9 presentation, the Executive Officer of the State Lands Commission reported to the Committee as follows:

"In proceedings of this character the Division of State Lands is authorized to assemble and present factual material, but we cannot speak for the State Lands Commission without specific authority when it comes to making definite recommendations for changes in legislation. In this instance we have no such authority and cannot have until we have made further study of the proposals that have been made to you here today and those that may be presented at future hearings, reported our conclusions and recommendations to the State Lands Commission, and received instructions from that body.

"It is my personal opinion that the Western Oil and Gas Association's committee has made suggestions that may be of substantial benefit to the oil industry; whether the State would benefit is another matter. This Western Oil and Gas Association committee has rewritten practically all of the important sections of Chapter 3 of Part 2 of Division 6 of the Public Resources Code, and in so doing is proposing an entirely new system of administration of oil and gas on lands owned by the State of California. We are not prepared at this time to accept such a sweeping change; certainly the State Lands Commission expects my staff to scrutinize it closely and evaluate it carefully before we recommend to them any course of action.

"As Mr. Mattei has said, we have agreed that some of the suggestions are of such a nature that we can recommend their favorable consideration. In general they are of minor importance. The provisions on which we disagree are those which would effectuate the radical changes previously mentioned.

"It is my suggestion that after you complete your hearing in San Francisco we will review the suggestions received, and as soon as practicable obtain instructions from the State Lands Commission as to what to recommend to you. If that is agreeable we will proceed accordingly."

Basically, the proposals of the Western Oil and Gas Association would result in the following:

1. Make offers of oil and gas leases on all classes of State lands under the jurisdiction of the State Lands Commission mandatory upon receipt of applications from unlimited applicants qualified only as to citizenship; or, alternatively, leases could be offered by the Commission upon its determination that such offer would be in the best interests of the State.

2. Place administrative detail relative to leasing procedures and lease terms in the statutes; e.g.:
  - a. Quitclaim of part or of an entire lease at the sole discretion of the lessee;
  - b. Assignment of a lease to a third party, with no qualification requirement for the assignee beyond citizenship;
  - c. Lease cancellation for default possible only through initiation of action in Superior Court.
3. Eliminate any discretionary authority in the Commission relating to oil and gas leases; e.g.:
  - a. Specification of qualifications for a lessee relating to ability to perform;
  - b. Service of Notice of Intention by the Commission to cancel a lease for failure to perform in accordance with the lease terms and conditions;
  - c. Approval of the specific location of any fills or structures to be placed on State-leased lands as drilling locations;
  - d. Control over extent of areas to be leased in any given period of time.
4. Make acceptance of royalty bids at a fixed specified royalty rate and cash bonus mandatory.

It should be noted that in the discussions with the United States Department of Justice culminating in the form of Operating Stipulation discussed heretofore, one of the factors upon which the Department of Justice concurred as to the desirability of such a Stipulation was the condition that existing State oil and gas leasing laws would be continued without substantive amendment during the period of the Stipulation.

At the meeting of October 23, 1953, the Chairman of the Senate Interim Committee set the next committee meeting date as January 15, 1954, and requested that the recommendations of the State Lands Commission relative to the proposed statutory changes under consideration be reported at that time.

A copy of the amendments to Division 6 of the Public Resources Code, as proposed by the Western Oil and Gas Association, was submitted for consideration by the Commission and determination of instructions to the Executive Officer as to action to be taken and recommendations to be made to the Senate Interim Committee on Oil and Gas Development on State Lands at the meeting scheduled for January 15, 1954.

Mr. Tom Moroney of the Honolulu Oil Corporation, representing Mr. A. C. Mattei, Chairman of the Public Lands Committee of the Western Oil and Gas Association, submitted a mimeographed statement on behalf of the Association, giving a record of the actions of the Public Lands Committee up to the present time, and asked that a meeting be held prior to the Senate Interim Committee meeting scheduled for January 15, 1954, for further discussion. The mimeographed statement has been made a part of the records of the State Lands Commission, under Work Order 1473.

Action on this item was deferred. It was decided, however, that a public hearing should be held, probably the latter part of December, at which time the industry would have an opportunity to be heard.

33. (OPERATING STIPULATION, OIL AND GAS LEASES ON COASTAL TIDE AND SUBMERGED LANDS, U. S. DEPARTMENT OF JUSTICE - W.O. 721.)

A form of Stipulation, covering operations under State oil and gas leases on coastal tide and submerged lands, developed in conferences between the United States Department of Justice and the Attorney General of California, has been submitted to the State Lands Commission for concurrence.

Adoption of the subject Stipulation is considered desirable to assure operations on existing oil and gas leases in coastal tide and submerged lands under State management. The form of Stipulation offered for concurrence would effectively continue all provisions of the Operating Stipulation in effect heretofore, which expired October 1, 1953, with the exceptions that full lease management would now be in the State and there would be no reserved rights in any Federal agency as to new lease issuances or similar matters. New leases are to be issued pursuant to State law. Royalty collections on or after January 1, 1953, would be impounded in a trust fund with the State Treasurer. Prior collections would remain impounded as provided in the Stipulations heretofore in effect.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED AS FOLLOWS:

The Commission concurs with the execution of a Stipulation by the Attorney General, substantially in the form which follows, relating to oil and gas operations on coastal tide and submerged lands to be effective October 1, 1953.

IN THE SUPREME COURT OF THE UNITED STATES  
OCTOBER TERM, 1953

No. 6, Original

UNITED STATES OF AMERICA, Plaintiff )  
v. ) Original  
STATE OF CALIFORNIA )

S T I P U L A T I O N

WHEREAS, on July 26, 1947, the parties to this cause, through their respective counsel, entered into a Stipulation which provided for the continuation of all operations within or upon tide and submerged lands lying along the coast of California and other matters; and