

8. (PROPOSED AMENDMENT TO THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION - W. C. 1355.) The following report was presented to the Commission:

"In the issuance of oil and gas leases pursuant to the Public Resources Code as amended by Ch. 1724, Stats. of 1955, it is the purpose of the Commission to achieve the most effective development of the State's land in the best interests of the State.

"The accomplishment of this purpose will necessitate the specification in each instance of a lease offer of particular conditions to assure minimum practical occupancy of the offshore area, operational safety, restoration of the premises after completion of exploration and production, protection of the public health and safety and the prevention of pollution and other interference with recreational activities.

"Section 5873(d), Ch. 1724, Stats of 1955, requires as follows:

'Any offshore filled lands or structure or structures constructed for the purpose of drilling pursuant to this section shall conform to the rules and regulations of the commission in effect at the time of invitation for bids in pursuance of which the lease is awarded. Drilling, whether from upland, littoral or offshore locations, shall be conducted in conformance with such rules and regulations in effect at the time of invitation for bids in pursuance of which the lease is awarded.'

"Detailed regulations prepared in the abstract to cover State-wide or local conditions would be unduly restrictive on prospective lessees as well as the State; accordingly, proposed rules and regulations (rough draft attached) are kept to a minimum consistent with the aforestated policy."

The Executive Officer reported that a conference had been held with the representatives of the oil industry, through their Western Oil and Gas Association, on November 29, 1955, with the idea of having a meeting of minds as far as possible prior to submitting the attached proposals. Minor corrections were suggested by the Oil and Gas Association, which will be taken into consideration with other suggestions that might be made at the public hearing. The proposal being made at this meeting is purely for the purpose of getting the necessary procedure under way, and to authorize the necessary advertising of the hearing. In the advertising, merely the scope of the proposed rules will be given, rather than setting them out in detail.

Mr. Rountree questioned whether the Commission has authority under the Administrative Procedure Act to delegate to the Executive Officer the holding of these hearings, as ordinarily they are conducted by the "head of the Department". He stated that he had not had time to make the necessary research to determine if these hearings may be held by the Executive Officer, and that the suggestion has been made that the Executive Officer be directed to hold informal hearings and that the Commission hold the formal hearing to avoid legal

difficulties. Sections 11420 et seq. of the Administrative Procedure Act of the Government Code seem to govern. However, there may be provisions authorizing the delegation to the Executive Officer of the power to conduct these hearings.

Mr. Peirce was of the opinion that if the law is deficient in this respect, it would be desirable to have it amended so as to make certain that the Executive Officer could legally conduct formal hearings on behalf of the Commission, indicating that because of his very heavy schedule he personally wanted to be relieved of as much of this detail as possible.

Mr. Rountree brought out the point that probably all differences of opinion could be worked out at informal hearings, so that the actual hearing before the Commission would be a mere formality.

The Executive Officer stated that similar hearings have been held in the past by the Executive Officer, since about 1949, and the authority to do so apparently had never been questioned before.

The Chairman recommended adding to its resolution the words "so far as consistent with law" to overcome this difficulty.

Mr. Paul Lever stated that so far as he knew his Committee of the Western Oil and Gas Association has never contested the validity of this type of hearing, and stated that although he probably was responsible for the original question arising, this was due to a misunderstanding, in that on one occasion when he appeared prepared for a hearing, under the impression that it was going to be a full Commission meeting, he learned that it was going to be merely a conference with the staff. He indicated that whatever way it was handled would be satisfactory, so long as the industry would have the right to make statements at the final hearing before the Commission at the time the staff's recommendations were to be adopted.

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO INITIATE PROCEDURES UNDER THE PROVISIONS OF SECTIONS 11420-11427 OF THE GOVERNMENT CODE FOR THE AMENDMENT OF THE RULES AND REGULATIONS OF THE COMMISSION TO CONFORM TO THE PROVISIONS OF CH. 1724, STATS. OF 1955, PERTAINING TO OIL AND GAS DEVELOPMENT. THE EXECUTIVE OFFICER IS FURTHER AUTHORIZED TO CONDUCT, IN SO FAR AS CONSISTENT WITH LAW, THE REQUISITE HEARINGS, AND HE IS DIRECTED TO REPORT HIS CONCLUSIONS AND RECOMMENDATIONS ON THE PROPOSED AMENDMENTS OF RULES AND REGULATIONS TO THE COMMISSION AS SOON AS PRACTICABLE.

Attachment: Rough draft, proposed rules and regulations

*Revised by SLC
action 1-19-56, pg 2554*

ROUGH DRAFT OF PROPOSED RULES AND REGULATIONS
BEING CONSIDERED FOR RECOMMENDATION TO THE
STATE LANDS COMMISSION FOR AUTHORIZATION OF
HEARINGS PRESCRIBED BY TITLE 2, DIVISION 3,
PART 1, CHAPTER 4 GOVERNMENT CODE.

(ROUGH DRAFT)

W. O. 1855

November 7, 1955

OIL AND GAS LEASES, EXPLORATION PERMITS, AND OPERATING REQUIREMENTS

2120. Any offshore filled lands or structure or structures constructed for operations on a State oil and gas lease and all operations including drilling, whether from upland, littoral or offshore locations, shall conform with the rules and regulations of the Commission and with the conditions as specified in the bid-lease form.

For all wells drilled from a filled land drillsite or structure or structures, operations under the lease shall be conducted in accordance with the following:

- (a) The Lessee shall remove the derrick from each well within sixty (60) days after the drilling of a well has been completed, and thereafter when necessary, such completed wells shall be serviced by portable derricks, except for redrilling.
- (b) All operating sites shall be landscaped with shrubbery, or fenced, so as to screen from public view as far as possible the tanks, pumps, or other permanent equipment. Such landscaping and shrubbery, or fencing, are to be kept in good condition.
- (c) All waste substances and materials, such as drilling mud, oil, brine, or acids produced or used in connection with drilling or production operations shall be retained in fluid-tight receptors from which they may be piped or hauled for terminal disposal in a dumping area specifically approved for such disposal by appropriate authorities.

- (d) Suitable and adequate washing facilities shall be installed and maintained in a clean and sanitary condition at all times. Adequate and sanitary toilet facilities shall also be installed, maintained and operated.
- (e) No refuse of any kind shall be permitted to be deposited on or pass into the waters of the State including the ocean or any bay or inlet thereof.

(ROUGH DRAFT)

W. O. 1855

November 7, 1955

2121. For all wells drilled from an upland drillsite, operations under the lease shall be conducted in accordance with the following:

- (a) The Lessee shall remove the derrick from each well within sixty (60) days after the drilling of a well has been completed, and thereafter, when necessary, such completed wells shall be serviced by portable derricks, except for redrilling.
- (b) All operating sites shall be landscaped with shrubbery, or fenced, so as to screen from public view as far as possible, the tanks, pumps or other permanent equipment. Such landscaping and shrubbery, or fencing are to be kept in good condition.
- (c) All drilling and production operations shall be conducted in such manner as to eliminate, as far as practicable, dust, noise, vibration or noxious odors.
- (d) All waste substances and materials, such as drilling muds, oil, brine or acids produced or used in connection with drilling or production operations shall be retained in fluid-tight receptors from which they may be piped or hauled for terminal disposal in a dumping area specifically approved for such disposal by appropriate authorities.
- (e) No sign shall be constructed or erected, maintained or placed on the premises except those required by law or ordinance to be displayed in connection with the drilling or maintenance of the well.
- (f) Suitable and adequate sanitary toilet and washing facilities shall be installed and maintained in a clean and sanitary condition at all times.

(POUGH DRAFT)

W. O. 1855

November 7, 1955

2122. Each lease shall provide that at the expiration of the lease or sooner termination thereof the lessee shall surrender the premises leased, with all permanent improvements thereon, in good order and condition, or, at the option of the State and as specified by the State, the lessee shall remove such structures, fixtures and other things as have been put on the lease by the lessee, all removal costs to be borne by the lessee.

(ROUGH DRAFT)

W. O. 1855

November 7, 1955

2123. In determining whether the issuance of a lease would result in impairment or interference with the developed shoreline, recreational or residential areas adjacent to the proposed leased acreage the commission shall receive and consider evidence upon whether such proposed lease would:
- (a) Be detrimental to the health, safety, comfort, convenience, or welfare of persons residing in, owning real property, or working in the neighborhood of the leased area;
 - (b) Interfere with the developed shoreline, residential or recreational areas to an extent that would render such areas unfit for recreational or residential uses or unfit for park purposes;
 - (c) Destroy, impair, or interfere with the esthetic and scenic values of such recreational, residential or park areas;
 - (d) Create any fire hazard or hazards, or smoke, smog or dust nuisance, or pollution of waters surrounding or adjoining the leased area.

STANDARD B & P "NOISE"

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