

MINUTE ITEM

5. (PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LANDS, SANTA BARBARA COUNTY - W. O. 2718(B).)

Following presentation of Calendar Item 1 (First Session) attached, Mr. Marcus Mattson, Attorney for the Standard Oil Company of California, appeared on behalf of the high joint bidders, Humble Oil & Refining Company and Standard Oil Company of California, and urged the Commission to accept the bid, contending that all the evidence showed it to be the best competitive bid. Mr. Edwin W. Pauley, representing the group who submitted the second highest bid on the parcel, supported the request made by Mr. Mattson.

The special consultants to the Commission, Dr. Herman H. Kaveler and Mr. C. H. Keplinger, both recommended that the bid be rejected, on the basis that the development program resulting from the other four leases currently awarded would give considerable additional information about the area which could result in higher bid offers being made for the parcel at a later date.

All members of the Commission indicated that their prime consideration was to act in the best interests of the State.

Assemblyman Allen Miller, Member of the Assembly Judiciary Subcommittee on Tidelands, suggested that the Commission should reject all bids on the subject parcel, as recommended by the staff.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED POSTPONING CONSIDERATION ON PARCEL "B" OF THE PROPOSED OIL, AND GAS LEASES IN SANTA BARBARA COUNTY AND DIRECTING THE STAFF TO ARRANGE FOR A REVIEW OF THE BID EVALUATION WITH THE BIDDERS AND CONSULTANTS AND TO REPORT ON THIS REVIEW AT THE NEXT MEETING OF THE COMMISSION.

Attachment

Calendar Item 1 (First Session) (3 pages)

CALENDAR ITEM

OIL & GAS

1.

(PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LANDS, SANTA BARBARA COUNTY - W. O. 2718(B).)

On June 27, 1958 three bids were received in response to a published Notice of Intention of the State Lands Commission to receive offers to enter into a lease for the extraction of oil and gas from 3,840 acres of tide and submerged lands designated as Parcel "B", Santa Barbara County. Publication of this offer was authorized by the Commission at its meeting of April 14, 1958 (Minute page 4003).

Prior to the lease offer, a combined bid-lease form was approved by the office of the Attorney General as to compliance with applicable statutes and rules and regulations, and was authorized for use by the State Lands Commission at the meeting of April 14, 1958 (Minute page 4003).

The office of the Attorney General has also reviewed the high bid submitted by Standard Oil Company of California and Humble Oil & Refining Company and has determined that the bid submittal is in compliance with all specified bid conditions. A summary tabulation of the bonus payment offers received pursuant to the lease proposal is attached.

The cash bonus payments offered for award of a lease covering the area included in Parcel "B" do not compare favorably with other offers received for leases in the same general area. The amount of cash bonus per acre offered in the highest bids received for the five parcels are as follows:

"A"	\$3,528.63
"B"	200.74
"C"	3,235.31
"D"	6,174.88
"E"	1,328.12

Since May 18, 1956 core drilling operations have been conducted under permits authorized by the State Lands Commission, reserving the right for review by the staff of all factual and physical results. During this period 174 core holes have been drilled below a depth of 500 feet below the ocean floor in the area between Point Conception and the westerly limits of Elwood Field. Only 5 core holes were drilled within the limits of Parcel "B", and no core drilling operations were conducted outside of the parcel within approximately one-half mile of the perimeter. Based on the limited amount of geological information available for review by the staff covering this specific area, it is impossible to make an effective current evaluation of structural features which might be favorable for oil and gas accumulation. The petroleum engineering consultants retained by the Commission have indicated concurrence with

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these views and have recommended that the Commission reject the bid for the subject parcel.

Section 6836 of the Public Resources Code provides in part "... the commission shall publicly open the sealed bids and shall award the lease for each parcel to the highest qualified bidder, unless in the opinion of the commission, the acceptance of the highest bid for any parcel or parcels is not for the best interests of the State, in which event the commission may reject all the bids for such parcel or parcels".

IT IS RECOMMENDED THAT, PURSUANT TO SECTION 6836 OF THE PUBLIC RESOURCES CODE, THE COMMISSION DETERMINE THAT THE ACCEPTANCE OF THE HIGHEST BID IS NOT FOR THE BEST INTERESTS OF THE STATE AND REJECT ALL BIDS FOR AWARD OF LEASES RECEIVED ON JUNE 27, 1958 COVERING 3,840 ACRES OF TIDE AND SUBMERGED LANDS DESIGNATED AS PARCEL "B" AS DETAILED IN THE PUBLISHED NOTICE OF INTENTION UNDER W. O. 2718(B) PUBLISHED ON APRIL 28 AND MAY 5, 1958.

Attachment

SUMMARY

W. O. 2718(B)

Bidder

Cash Bonus Offer

Humble Oil and Refining Company, and
Standard Oil Company of California

\$770,837.70

Edwin W. Pauley,
Pauley Pan American Petroleum Company, and
Pauley California Tidelands, Inc.

103,500.00

Monterey Oil Company, and
Newmont Oil Company

81,000.00