

STATE OF CALIFORNIA

Minutes of the Meeting of the
State Lands Commission
Sacramento, California

June 23, 1975

A regular meeting of the State Lands Commission was called to order by Chairman Kenneth Cory in Room 2170, State Capitol, Sacramento, California, at 9:09 a.m. on Monday, June 23, 1975.

Present: Kenneth Cory, State Controller, Chairman
Mervyn M. Dymally, Lieutenant Governor, Commissioner
Roy M. Bell, Director of Finance, Commissioner

Staff Members in Attendance:

William F. Northrop, Executive Officer
R. S. Golden, Assistant Executive Officer
W. M. Thompson, Manager, Long Beach Operations
Robert C. Hight, Staff Counsel
Luella Kunkle, Secretary

Also in Attendance:

Representing the Office of the Attorney General
N. Gregory Taylor, Deputy Attorney General

EXECUTIVE OFFICER'S REPORT

Mr. William F. Northrop, Executive Officer, reported on the following items:

1. GEOTHERMAL RESOURCES

Mr. Northrop reported that in recognition of the Commission's interest in geothermal resources, both as a revenue producer for the State and as an energy source for the public, the staff would like to develop a more active geothermal resource program. He therefore recommended that the Commission appoint a geothermal subcommittee from the Commission, or liaison, to meet with staff in developing such a management program. Upon motion duly made and carried, the Commission authorized that a geothermal subcommittee from the Commission be established and elected Commissioner Mervyn M. Dymally, Lieutenant Governor, as Chairman of that subcommittee.

W 7355.5

2. USGS PUBLIC HEARINGS

The USGS has scheduled public hearings in Santa Barbara for July 14-15 on their draft environmental impact statement relating to potential oil and gas development in Federal offshore waters in Santa Barbara County. Mr. Northrop requested the Commission's authorization for the staff to present oral statements at the above-named hearings on July 14. He pointed out that, at the present time, the oral statements were not prepared, but upon completion, he would submit them to the Commissioners for their approval. In addition, he reported the staff is working on written comments to be submitted by July 31. He stated the written comments would be ready for the Commissioners' approval at the July meeting. Upon motion duly made and carried, the Commission authorized staff of the State Lands Commission to present oral statements at the public hearings scheduled in Santa Barbara concerning the USGS draft environmental impact statement covering potential oil and gas development in Federal offshore waters in Santa Barbara County.

W 1835

3. ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION W 9800.1

Mr. Northrop reported on the status of the proposal by the State Lands Division to the Energy Commission for the staff to provide technical assistance to the Energy Commission, in an advisory capacity, to evaluate the oil and gas potential of the Southern California Outer Continental Shelf area which has been proposed for leasing by the Department of the Interior. Mr. Northrop indicated that as soon as the contract is prepared, it will come before the Commission for approval.

4. STANDARD OIL COMPANY OF CALIFORNIA - EIR

W 9732

Pursuant to the Commission's directive, Mr. Northrop reported the staff had solicited proposals for the preparation of an environmental impact report covering the resumption of drilling operations from platforms in the Santa Barbara Channel on three leases operated by Standard Oil Company. He indicated that four firms answered the Request for Proposal:

- A. Dames and Moore
- B. Woodward-Clyde, Consultants
- C. Henningson, Durham & Richardson
- D. Fugro, Inc.

He pointed out that because none of the bids included any time or expense for replies to comments to the draft EIR, a separate contract will have to be prepared.

Mr. Northrop requested the Commission's authorization to award the contract to Woodward-Clyde, Consultants. Upon motion duly made and carried, the Commission authorized the contract, relative to the preparation of an environmental impact report covering the resumption of drilling operations from platforms in the Santa Barbara Channel on three leases operated by Standard Oil Company of California, be awarded to Woodward-Clyde, Consultants.

5. WELL-BY-WELL APPROVALS

W 9723

A. Platform Holly

Under authority redelegated to the Executive Officer by the Commission at the May 27, 1975, meeting, Mr. Northrop reported that he will approve the drilling of the first new well (PRC 3120) on Platform Holly in the field operated by Atlantic Richfield Company, Santa Barbara County.

B. Island Esther

W 9741

Mr. Northrop reported that he will approve the redrilling of a new well (PRC 3095) on Island Esther, offshore the City of Seal Beach, Orange County, by Standard Oil Company.

6. LONG BEACH DRY GAS

Mr. Northrop reported he has been negotiating with the City of Long Beach on a price determination for dry gas from the Long Beach tidelands. The City has agreed to make retroactive payments to the State under the 1967 pricing formula. The first payment covering the 1973-1974 calendar years will be made on July 1 in the amount of \$731,000. The retroactive payment for the first six months of 1975 will be paid the latter part of July in the amount of approximately three-quarters of a million dollars. He indicated that continued negotiations are underway to:

- A. obtain reasonable wholesale market value for dry gas in the future; and
- B. rectify the past underpayment to producers in the Los Angeles Basin through additional payments.

7. JOINT EMPLOYMENT OF SPECIAL COUNSEL

Mr. Northrop informed the Commission that the first item on the agenda concerning the joint employment by the City of Long Beach and the State Lands Commission of special counsel had been withdrawn. He reported that a special meeting has been scheduled for Thursday, June 26, 1975, at 10:00 a.m. in Room 6031, State Capitol, Sacramento, for its consideration.

Mr. Northrop's written report is attached as Exhibit "A" and by reference made a part hereof.

Attachment:
Exhibit "A" (5 pages)

EXHIBIT "A"

STATE LANDS COMMISSION MEETING

June 23, 1975

EXECUTIVE OFFICER'S REPORT

by

William F. Northrop

Mr. Chairman, I have a few information items to bring to the Commission's attention today.

GEOHERMAL

The first of these is in the field of geothermal resources. The Staff realizes and appreciates the Commission's interest in geothermal resources: both as a revenue producer for the State, and as an energy source for the public.

Staff has considerable expertise in this area and would like to develop a more active program. The State owns over half a million acres of land, or mineral interest, in areas that offer potential for the production of geothermal resources. Only a small amount of that land has been explored.

With your approval, staff would recommend that the Commission appoint a geothermal subcommittee, or liaison, to meet with the staff in developing a viable management program.

USGS PUBLIC HEARING

Last week, we received from the USGS a copy of their Draft Environmental Impact Statement for Potential Oil and Gas Development in Federal waters offshore Santa Barbara. Staff is

currently reviewing this three-volume document.

USGS has scheduled public hearings in Santa Barbara for July 14th and 15th -- possibly into July 16th. Oral comments will be accepted at these hearings. Written comments will be accepted until July 31st, and are to be sent to USGS Headquarters in Reston, Virginia.

I bring this up in order to request approval for the staff to present an oral statement at the Santa Barbara public hearing on July 14th. In addition, we will be working on the written comments, which will be available for your approval at the next Commission meeting on July 24th. If approved, the written statement of the Commission can then be forwarded to the Director of the USGS by July 31st for inclusion in the record.

STATUS OF PROPOSAL TO ENERGY COMMISSION

The Energy Resources Conservation and Development Commission has received our proposal to provide assistance from a technical advisory group (composed of State Lands Division personnel) to evaluate the oil and gas potential of the Southern California Outer Continental Shelf area which has been proposed for leasing by the U. S. Department of the Interior.

We have done some preliminary investigative work on the availability of data and are working with the Energy Commission on a letter of understanding which would cover this proposal in detail. As soon as the document has been completed, we will bring it before the Commission for consideration.

STANDARD EIR PREPARATION

In accordance with previous direction from the Commission, staff solicited proposals for the preparation of an Environmental

Impact Report covering the resumption of drilling operations from existing platforms located on Leases 1824, 3150, and 4000 in the Santa Barbara Channel. These leases are operated by Standard Oil Company.

Four firms answered the Request for Proposal: Dames & Moore; Woodward-Clyde, Consultants; Henningson, Durham & Richardson; and, Fugro, Inc. After preliminary evaluation, the proposals from Dames & Moore (for \$50,000) and Woodward-Clyde (for \$42,000) were selected for further negotiations. The Woodward-Clyde proposal and price included the reproduction and delivery of 200 copies of a draft report. The Dames & Moore price and proposal provided only a single "camera-ready" copy of the report. Neither negotiated proposal provided for any time or expenses for replies to comments concerning the draft EIR. A separate contract for such work would have to be negotiated on a time-and-expense basis.

After careful review, the Staff recommends that the contract be awarded to Woodward-Clyde, Consultants. If you concur, with our recommendation, we will notify Standard Oil to submit \$42,000 for deposit on the preparation of the EIR. We will also further advise Standard that an additional amount of funds may be required on a separate contract for the work necessary to reply to comments submitted on the draft report.

WELL-BY-WELL APPROVALS

1. Platform Holly -- Under authority redelegated to the Executive Officer by the Commission on May 27, I have approved the drilling of the first new well on Platform Holly, in the field operated by Atlantic Richfield under State Oil and Gas Lease 3120. Drilling has not yet commenced.

Thirteen wells are already in operation from this platform. The new drilling I have just approved is for one of the 17-wells which were part of the drilling resumption approval granted at the April Commission meeting. Drilling approvals will continue to be considered on a well-by-well basis in accordance with your directions.

2. Island Esther -- Pursuant to your authorization with regard to the resumption of drilling operations by Standard Oil Company on State Oil and Gas Lease 3095, offshore the City of Seal Beach in Orange County, Standard has resumed drilling on Island Esther.

A new well was completed on June 21, and I have approved the redrill of another well on that lease. Standard's total approved development plan involves the drilling of additional wells to a maximum of 19, and certain redrilling operations to maintain well production capability. As a result of a remedial well repair program (cleaning out existing wells) and the resumed drilling operations, Standard has been producing "new" oil from this lease since May.

LONG BEACH DRY GAS

As you know, I have been negotiating with the City of Long Beach on price determination for dry gas from the Long Beach tidelands. The City has agreed to make retroactive payments to the State under the 1967 pricing formula. The first payment, covering the 1973 and 1974 calendar years, will be made July 1st in the amount of \$731,000. The retroactive payment for the first six months of 1975 will be paid the latter part of July in the approximate amount of three-quarters of a million dollars.

We are also continuing negotiations to obtain reasonable wholesale market value for Long Beach dry gas in the future. We are also negotiating with the City to rectify past underpayments to producers in the Los Angeles Basin through additional retroactive payments.