

MINUTE ITEM

This Calendar Item No. 27
was approved as Minute Item
No. 27 by the State Lands
Commission by a vote of 3
to 0 at its 9/30/76
meeting.

CALENDAR ITEM

27.

9/76
W 9992
CPP
AAU4

AGREEMENT AMENDING OIL AND GAS LEASE
BEVERLY HILLS UNIFIED SCHOOL DISTRICT

A request has been received from the Beverly Hills Unified School District for approval of an agreement amending an oil and gas lease between the School District (lessor) and the Beverly Hills Oil Company (lessee).

The lease was issued June 2, 1957, by competitive public bid pursuant to the provisions of Section 7052 of the Public Resources Code. The lease was awarded on the basis of a cash bonus and a royalty rate of 50%. Allen Guiberson, who offered a bonus of \$50,000 was the successful bidder. The agreement is a subsurface lease covering approximately 26 acres of the District's property in Beverly Hills. One acre of the leased area has been specifically set aside as a drill-site. Current royalty to the District is approximately \$3,400 per month.

The lease was amended on January 26, 1960, to provide for slant drilling into adjoining properties. The amendment provided for a 5% royalty on production from the wells. This amendment is no longer in effect as the drilling requirements were not satisfied. The lease was amended again on August 2, 1960, to provide the lessee with additional storage space. The lease was then assigned to the Beverly Hills Oil Company on December 29, 1960.

The Beverly Hills Oil Company has requested a modification of the lease to permit slant drilling into adjoining lands. The School District has agreed to permit such drilling but has requested that the drillsite be moved to a different area of the leasehold to provide for more efficient use of the adjacent athletic field. In order to move the drillsite, the three existing wells would have to be abandoned and then redrilled from the new site.

Since the School District has requested the relocation of the drillsite, the royalty provision covering oil and gas produced from the leased lands will be modified to cover some of the expenses involved in redrilling the three original wells. The royalty will be \$3000 per month or one-half of the 50% royalty provided for in the lease, whichever is greater, until the lessee has recovered 10% of the cost of preparing the new drillsite and 50% of the cost of drilling and completing three commercial wells in the leased lands. The costs of noncommercial wells are not included in this provision. Upon recovery of approved costs, the 50% royalty will be restored and thereafter payable.

A 43

S 22

CALENDAR ITEM NO. 27 (CONTD)

Additionally, the proposed lease amendment provides for a 5% overriding royalty on oil and gas produced from wells drilled from the leased lands into outside lands. In addition to the 5% royalty, the lessee shall pay a compensatory royalty on oil and gas produced from outside lands of 1/3 of 8% for each of the three original wells that the lessee does not redrill into the leased lands and complete as commercial wells.

The staff has made a geologic and engineering evaluation of the project and has determined that the project is economically feasible and in the best interests of the school district.

A legal review was made of the proposed amendment and it was determined that the amendment conforms with the applicable statutes and the rules and regulations of the Commission.

The Beverly Hills School District acting as lead agency has prepared a Negative Declaration covering the project. The Negative Declaration was circulated through the State Clearinghouse as required by the State Guidelines (14 Cal. Adm. Code). The Clearinghouse has certified by letter dated August 5, 1976, that State review of the project is complete. The School District certified on June 15, 1976, that the Negative Declaration was prepared for this project pursuant to the provisions of CEQA and that the project will not have a significant effect on the environment. The Negative Declaration has been filed with the State Lands Commission and the County Clerk for Los Angeles County, wherein the project is to be undertaken.

EXHIBITS: A. Location Map. B. Negative Declaration.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL IMPACT REPORT HAS NOT BEEN PREPARED FOR THIS PROJECT BUT THAT A NEGATIVE DECLARATION HAS BEEN PREPARED BY THE BEVERLY HILLS UNIFIED SCHOOL DISTRICT ON JUNE 15, 1976.
2. CERTIFY THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED IN THE NEGATIVE DECLARATION.
3. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
4. AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE AGREEMENT AMENDING OIL AND GAS LEASE DATED MAY 24, 1976, BETWEEN THE BEVERLY HILLS UNIFIED SCHOOL DISTRICT, AS LESSOR, AND BEVERLY HILLS OIL COMPANY, AS LESSEE, ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF.