

MINUTE ITEM

This Calendar Item No. 35
was approved as Minute Item
No. 35 by the State Lands
Commission by a vote of 3
to 0 at its 11/21/85
meeting.

MINUTE ITEM

35

11/21/85
W 40015
Willard
Frey

Consideration of Oil Drilling in Hermosa Beach Tidelands
City of Hermosa Beach, Los Angeles County

During consideration of Calendar Item 35 attached, City Councilman Gary Brutsch and City Manager Greg Meyer, read prepared statements urging the Commission to allow the City of Hermosa Beach to pursue oil drilling on tidelands.

Staff was directed to work with the City to resolve questions concerning the City's incomplete application.

Upon motion duly made and carried, the Resolution in Calendar Item 35 was approved, as presented, by a vote of 3-0.

Attachment: Calendar Item 35.

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A 51

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11/21/85

S 29

W 40015

G05-02

Willard

Frey

CONSIDERATION OF OIL DRILLING IN HERMOSA BEACH TIDELANDS,
CITY OF HERMOSA BEACH, LOS ANGELES COUNTY

The City of Hermosa Beach has submitted for approval by the Commission, in accordance with Section 7054.5, 7085.5, 7060, 7061, 6878 and 6879 of the P.R.C., a proposed resolution of intention to enter into an oil and gas lease for the purpose of exploring for and extracting and producing oil, gas and other hydrocarbon substances from its littoral and tide and submerged lands. Such lands were granted to the City in trust by the State without reserving the minerals in Chapter 479, Statutes of 1919.

STATUTORY REQUIREMENTS

The City's tide and submerged lands lie in the State oil drilling sanctuary established by P.R.C. Section 6871.2. Section 6878 of the P.R.C. provides that no city to which the State has granted tide and submerged lands shall enter into any agreement for the extraction of oil or gas from lands lying in the sanctuary unless the State Lands Commission shall have made the following determinations required by P.R.C. Sections 6872(a): (1) That oil and gas deposits are believed to be contained in such lands, (2) that the same are being drained by means of wells upon adjacent lands, and (3) that the leasing of the same for the production of oil and gas will be in the best interests of the State.

P.R.C. Section 7058 authorizes a city to enter into oil and gas leases and under P.R.C. Section 7058.5 the City must adopt a resolution which "shall describe the property involved in such manner as to identify it, specify the minimum rental, royalty, or other consideration, and the term of the lease or agreement, the form of the lease or agreement, and one variable, biddable

(CALENDAR PAGE NUMBERS 144.1-144.5 ADDED 11/21/85)

(NON-SUBSTANTIVE REVISION 12/10/85)

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factor, on which bids will be received, and fix a time not less than 30 days thereafter and place for a public meeting of said governing body, at which meeting sealed proposals to lease or contract will be received and considered. The resolution shall, before the date of such meeting, be published once a week for four successive weeks in one or more newspapers of general circulation in the city where the property is situated, or, if there is no newspaper of general circulation in such city, in one or more newspapers of general circulation in the county where the property is situated."

Section 7060 of the P.R.C. states:

"No such oil and gas lease or agreement shall be effective unless prior to adopting the resolution provided for by Section 7058.5 the City shall have petitioned the State Lands Commission for approval of the proposed resolution, and the proposed resolution shall have been approved by the State Lands Commission..."

Section 6879 of the P.R.C. provides that whenever a city seeks to commit tide and submerged lands to a unit or cooperative agreement for the purpose of producing oil and gas, the State Lands Commission must approve that agreement and may do so only after making certain other findings, including a finding that such agreement is in the public interest.

OTHER PERTINENT INFORMATION:

1. The City has submitted a resolution and proposed lease providing for the drilling of oil and gas from its tidelands. However, that resolution and lease are inadequate in several respects and, therefore, staff cannot recommend approval at this time under P.R.C. Section 7060. Matters relating to the resolution and lease which remain unresolved include: The environmental documentation (none has been submitted); a description of the property being leased (there is no description); the royalty and bid factors; the location of drill-sites and any drill-site royalties; the lease's proposed unitization clause; and the questions of whether competitive bidding is appropriate as the City has no drill-through rights from the proposed drill-site to the tidelands. It should be

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noted that the City in contravention to the above referenced statutes has already approved a drill-site and resolution authorizing a lease and that these approvals should have been made after the Commission has taken its action.

2. In addition, it would not be appropriate for the Commission to make the required findings under the sanctuary statute at this time because certain necessary information is not available. In order to determine whether leasing of this portion of the sanctuary is in the best interests of the State, the Commission should first be provided the appropriate environmental documentation. In addition, the question of drainage must be addressed such that the required findings under P.R.C. Section 6872(a)(2) can be made. A January 1977 staff report found that drainage at this time was "minimal". The City has submitted a geologist's report dated July 3, 1985, which concludes that there is drainage. Without a definitive engineering determination by Commission staff, the staff can make no recommendation in this regard. Accordingly, the staff's reservoir engineering section has embarked upon an updating of its 1977 report and the results of this study are expected by the end of November.
3. Staff counsel and the Office of the Attorney General also concur that the City has not submitted adequate information such that the Commission can make the required statutory findings at this time.

EXHIBIT: A. Site Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTION IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15270 BECAUSE CEQA DOES NOT APPLY TO PROJECTS WHICH A PUBLIC AGENCY REJECTS OR DISAPPROVES.

CALENDAR ITEM NO. (CONT'D)

2. ACKNOWLEDGE THAT THE COMMISSION HAS RECEIVED A PETITION FROM THE CITY OF HERMOSA BEACH REQUESTING THE COMMISSION TO MAKE THE NECESSARY APPROVALS UNDER THE P.R.C. FOR THE CITY TO LEASE THOSE CERTAIN TIDE AND SUBMERGED LANDS LYING OFFSHORE HERMOSA BEACH, LOS ANGELES COUNTY, GRANTED TO THE CITY OF HERMOSA BEACH IN CHAPTER 479, STATUTES OF 1919 FOR OIL AND GAS DEVELOPMENT.
3. DEFER COMMISSION ACTION ON THE PETITION SUBMITTED BY THE CITY OF HERMOSA BEACH FOR THE PURPOSE OF EXPLORING AND EXTRACTING AND PRODUCING OIL, GAS AND OTHER HYDROCARBON SUBSTANCES FROM THOSE CERTAIN TIDE AND SUBMERGED LANDS LYING OFFSHORE HERMOSA BEACH, LOS ANGELES COUNTY, GRANTED TO THE CITY OF HERMOSA BEACH IN CHAPTER 479, STATUTES OF 1919, ON GROUNDS THAT SAID REQUEST IS INCOMPLETE.
4. DIRECT COMMISSION STAFF TO WORK DILIGENTLY WITH THE CITY ON COMPLETING ITS APPLICATION AND REPORT BACK TO THE COMMISSIONERS AS SOON AS POSSIBLE.

