

A meeting of the State Lands Commission was held in the office of the Department of Finance, State Capitol, Sacramento, at 9:45 A. M., May 21, 1940.

Present were:

Ellis E. Patterson, Member
Harry B. Riley, Member

Absent was:

John R. Richards, Chairman.

Pursuant to invitation of the State Lands Commission to receive bids to enter into an agreement for the extraction of gas from lands under the jurisdiction of the State Lands Commission at and in the vicinity of Rio Vista, California, the Executive Officer reported to the State Lands Commission the receipt of two bids as follows:

- (1) From Calaveras Cement Company, a corporation;
- (2) From Standard Oil Company of California, a corporation.

Upon direction by the Commission that the said bids be opened, the Executive Officer thereupon proceeded to open said bids and reported to the Commission as follows:

(1) That the bid of Calaveras Cement Company, a corporation, contains a stipulation to pay to the State 31% of the net profits derived from the production and sale or consumption of gas, and

(2) That the bid of the Standard Oil Company of California, a corporation, contains a stipulation to pay to the State 51% of the net profits derived from the production and sale or consumption of gas, plus a stipulation to pay to the State of California an additional royalty in words and figures as follows, to wit:

"As a bonus and as additional consideration for Agreement for Easement No. _____, Standard Oil Company of California, for itself, its successors and assigns, hereby agrees to pay to the State of California, on or before the 25th day of each month, in addition to the payments required to be made under the provisions of said Agreement for Easement No. _____, such sum, if any, as shall represent the amount by which one per cent (1%) of the net profits, as defined in said Agreement for Easement No. _____, derived by Standard Oil Company of California from its operations thereunder, up to the end of the preceding calendar month, shall exceed the aggregate of all sums theretofore paid to the State of California as such bonus and additional consideration under the provisions of this Exhibit "C", until there shall have been so paid to the State of California the aggregate sum of One Million Dollars (\$1,000,000.00)."

The Commission directed that said bids be referred to Dr. E. K. Soper, consultant, for report to Commission at meeting May 27, 1940.

The Attorney General, through Bayard S. Rhone, Esq., Deputy, has advised of institution of an action in condemnation in District Court of the United States in the Southern District, Central Division,

of certain public lands of the State of California, which lands are more specifically described in said action designated as No. 204-J Civil. The Executive Officer requested the Commission to determine whether the State should submit to the action in condemnation or should endeavor to exchange the public lands sought by condemnation for other lands of the Federal Government of approximately equal values. Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted directing the Executive Officer to negotiate a trade if possible with the Federal Government, whereby the State of California would receive other public lands in exchange for the lands sought through condemnation and at approximately the same values.

The Executive Officer reported that an organization known as the Crockett Stripped Bass Club, Inc., a corporation, had for many years occupied submerged lands along the Carquinez Straits adjacent to Carquinez Bridge and that about 1936 or 1937 the Chief of the Division of State Lands agreed to issue a lease to this Club under Chapter 69, Statutes of 1929. Apparently the then Governor of the State was unwilling to execute a lease, and in consequence, this Club continued to occupy the property and to pay the State a nominal rental of \$1.00 per year. It was brought to the attention of the Club that it had no lease and suggested that it make application for a lease to protect itself. Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, resolution was adopted authorizing the Executive Officer to recommend to the Director of Finance that he execute easement under Section 675 of the Political Code for a period not to exceed 12 years at an annual rental of \$216.

The Executive Officer reported the receipt of communication from the State Controller stating that the sum of \$125,000.00 could be transferred from the State Lands Act Fund to the General Fund and the State Park Maintenance and Acquisition Fund in percents of 70 and 30, respectively. Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted as follows:

Transfer of the sum of \$125,000.00 from the State Lands Act Fund to the General Fund and State Park Maintenance and Acquisition Fund in percents of 70 and 30, respectively.

Upon report of the Executive Officer of receipt of a communication from the Southwest Exploration Company requesting the Commission to authorize suspension of drilling operations for a period not to exceed three weeks for the purpose of allowing vacations to drilling crews, Mr. Patterson moved and Mr. Riley seconded, and unanimously carried, resolution was adopted authorizing the Executive Officer to give consent upon behalf of the Commission to suspension of operations for a period not to exceed 21 days.

The Executive Officer reported receipt of three applications to substitute The Petrol Corporation, a corporation, as operator in Agreement for Easement No. 293, 320 and 322, Huntington Beach. Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, resolution was adopted authorizing and directing the Executive Officer to give consent upon behalf of the State Lands Commission to the substitution of The Petrol Corporation, a corporation, as operator in Agreements for Easements Nos. 293, 320 and 322, Huntington Beach, upon condition that The Petrol Corporation furnish necessary bonds

and execute said Agreements for Easements.

Receipt of an application was reported by the Executive Officer for an easement to install and maintain a pipe line for the transportation of water underneath certain navigable waters of the State known as Pacheco Creek, Contra Costa County. Upon motion of Mr. Patterson, seconded by Mr. Riley, unanimously carried, resolution was adopted authorizing and directing the Executive Officer to issue an easement in the customary form to the applicant for the purpose of laying and maintaining a water main over and across Pacheco Creek, Contra Costa County, for a term of 25 years and upon payment of application fee in the sum of \$10.00.

The Executive Officer reported that the lessee of State Oil and Gas Lease No. 17 at Summerland, California, had failed to perform covenants and observe conditions contained in said lease and amendment thereto with respect to drilling operations. Mr. Patterson moved, Mr. Riley seconded, and it was unanimously carried, that resolution be adopted authorizing and directing the Executive Officer to give notice to lessee of said lease of intention of the State Lands Commission to cancel said lease at the end of thirty day period from the date of giving such notice for the reasons hereinbefore stated, unless the lessee within that time had taken bonafide steps to correct such default or defaults.

Upon statement of the Executive Officer that the lessee of Lease No. 719 had failed to pay rental in accordance with the terms of the lease and had requested the Commission to cancel the lease, Mr. Patterson moved, Mr. Riley seconded, and resolution was unanimously adopted authorizing and directing the Executive Officer to cancel said lease for failure to pay rental.

It was reported by the Executive Officer that a lease heretofore executed between G. Baldocchi, et al., and State of California, for certain premises of the State of California on Sherman Island, would expire June 30, 1940, and that the lessees had made application for an extension of the term. The Executive Officer further suggested that from an examination made, it appeared that the lands included within the lease used for the propagation of asparagus are worth from \$20 to \$25 per acre. Mr. Patterson moved, Mr. Riley seconded, and resolution was unanimously adopted, authorizing the Executive Officer to negotiate a lease with the present lessees for the term of three to five years at a reasonable rental not to exceed \$25.00 per acre per year for such lands devoted to the propagation of asparagus.

Upon advice by the Executive Officer that the accountants in the Department of Finance had recommended the employment of an auditor or accountant to check oil, gas and other accounts of the State Lands Commission, Mr. Patterson moved, Mr. Riley seconded, and resolution was unanimously adopted authorizing and directing the Executive Officer to employ an auditor at a salary not to exceed \$175.00 per month.

The Executive Officer reported that the State Lands Commission is now and has been since the creation of the Commission, occupying the office of the Director of Finance in the State Building, and that quarters have now been provided for the Commission and Executive Officer in the suite, and that it will be necessary to purchase furniture, etc., for the furnishing of the room, the

Executive Officer was authorized to make suitable purchases for this purpose.

There was presented to the Commission for adoption amendments to "Rules and Regulations Adopted by State Lands Commission on July 12, 1938, Governing the Sale of School Lands and Lieu Lands Under the Provisions of an Act of the Legislature Approved May 17, 1933, Chapter 386, and the Leasing of Such Lands for Grazing and Recreational Purposes Under the Provisions of an Act of the Legislature approved June 9, 1931, Chapter 673."

Upon motion of Mr. Patterson, seconded by Mr. Riley, resolution was unanimously adopted approving amendments to said rules as follows:

5. Lands of known mineral character will not be sold, but. Such lands may be leased for grazing purposes, subject to the reservation to right of State of California to grant permits to prospect for minerals, ~~including~~ excluding oil and gas, and leases and easements to extract minerals, including oil and gas upon and from the leased lands and without compensation to the lessee. The extraction of oil and gas, or any other minerals, from State lands, ~~will be is~~ governed by rules, and regulations adopted by the State Lands Commission, under the provisions of the Act of the Legislature approved March 24, 1938, Statutes of 1938, extra session, Chapter 5.

8. Applications to purchase lands by municipal corporations, public corporations, quasi public corporations or by the State Highway Commission, State Park Commission or other State body authorized to purchase and hold land must be made in the name of the organization and subscribed and sworn to (before a notary public or other officer qualified to administer oaths) by the authorized officer thereof, whose authorization must accompany the application. The seal of the organization agency must be affixed to the application.

10. When an application to purchase or lease lands has been filed, notice of the filing will be published in one issue of a newspaper of general circulation in the county wherein the land is situated. During a period of ~~30~~ 10 days from and after the date of publication of said notice any other qualified applicant may file an application with the State Lands Commission at Sacramento, subject to the rights of the prior applicant. Each applicant may make as many different bids to purchase or lease the land as he may desire, which bids must be in writing, sealed and filed with the State Lands Commission before 4 P. M. of the ~~30th~~ 10th day from the date of the publication of the notice. (REMAINDER RULE 10 SAME AS BEFORE).

15. When an application to lease State land for grazing purposes has been filed, the application will be suspended for a period of ~~30~~ 10 days from the date of publication of notice as required by rule 10 hereof, to allow any other applicant an opportunity to apply. Each applicant may make as many different rental offers as he may desire, which offers must be in writing, sealed and filed with the State Lands Commission at Sacramento before 4 P. M. of the ~~30th~~ 10th day from and after the date of the publication of the notice.

16. At the expiration of the ~~30~~ 10 day period from and after the date of publication of the notice of the filing of the first application, all bids will be submitted to the State Lands Commission. The application accompanied with the highest bid will be approved, When the price is fixed at which the land may be leased, the first applicant shall have the first opportunity to make payment of the rental (unless it should appear to the State Lands Commission that it would not be in the interest of the State to accept said bid, in which event all bids shall be rejected by the State Lands Commission), and a lease issued and forwarded to the applicant for execution. Said applicant shall have 15 days thereafter within which to execute and return such lease to the State Lands Commission at Sacramento and make payment of the first annual rental in advance. The State Lands Commission shall receive the money and issue a receipt therefor. All subsequent annual payments of rental must be made to the State Lands Commission at Sacramento in like manner within 15 days after they become due. In case payments are not made as herein provided, the lease and all rights thereunder shall cease and terminate.

Upon motion of Mr. Patterson, seconded by Mr. Riley, by resolutions adopted by unanimous vote, the Executive Officer was authorized and directed to perform the acts, and his acts were approved and confirmed as follows:

1. Issuance of consent to Newport Dredging Company to conduct dredging operations at Seal Beach, Anaheim Bay, Orange County, upon payment of application fee in the sum of \$10.00.
2. Issuance of permit to maintain breakwater constructed by the U. S. Government through the Coast Guard at Point Arguello.
3. Authorization of Executive Officer to permit removal of groin constructed by the Union Realty Company, a corporation, under permit of Division of State Lands.
4. Issuance of State mineral prospecting permits to E. D. Brown for the NW $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 16, T. 6 S., R. 5 E., M. D. M., Stanislaus County, for chrome and manganese, and to John C. P. Boyle for the SE $\frac{1}{4}$ of NW $\frac{1}{4}$, NE $\frac{1}{4}$ of SW $\frac{1}{4}$, SE $\frac{1}{4}$ of SW $\frac{1}{4}$ and NW $\frac{1}{4}$ of SW $\frac{1}{4}$ of Section 36, T. 4 S., R. 5 E., M. D. M., Stanislaus County, for manganese.
5. Execution of certificates to the Governor with request that patents in the name of Martha E. Kerr and D. D. Cargile covering 26.72 and 40 acres in San Diego and Riverside Counties, respectively, be issued covering lieu lands described in the patents.
6. Approval of plans by Executive Officer for Mrs. Alice F. Schott to construct groin on tidelands and submerged lands of the State fronting property of the applicant at Sandyland, California.
7. Issuance of easement by Director of Finance and consent thereto by the State Lands Commission to Stanley S. Anderson, et ux., for construction and maintenance of wharf upon tidelands and submerged lands of the State 11.6 miles southeast of Hueneme Lighthouse, Ventura County, for a period of 12 years at an annual rental of \$180.00.

8. Action of Executive Officer in cancellation of State mineral Prospecting Permit No. 394 issued to E. A. Dunn for failure to perform conditions contained in the permit.

There being no further business to come before the Commission, the meeting was adjourned.