

A meeting of the State Lands Commission was held in the Office of the Department of Finance, State Capitol, Sacramento, at 10:30 A. M., July 16, 1940.

Present were:

John R. Richards, Chairman,
Harry B. Riley, Member.

Absent was:

Ellis E. Patterson, Member.

The Executive Officer reported to the Commission the pendency of the following:

1. Application of The Petrol Corporation for reinstatement of Agreement for Easement No. 323, Huntington Beach (Ames #3 well);
2. Request of the Huntington Beach Townsite Association for redefinition of allowance for time off in the operation of wells at Huntington Beach;

and suggested that these matters be continued until a meeting of the Commission is held at Los Angeles.

The Commission was advised of progress being made by Surf Associates Inc., and the Termo Company in the drilling of wells under Agreements for Easements Nos. 406 and 409, Huntington Beach, respectively.

The attention of the Commission was called to damage done to Well No. 2 of Huntington Shore Oil Company due to the redrilling of "H. B. Fee" No. 1 well of Bolsa Chica Oil Corporation at Huntington Beach and the Commission was advised that the amount of this damage to the State on account of loss of royalty would be established and a further report made to the Commission. The Executive Officer was directed to ascertain whether the Huntington Shore Oil Company has received compensation on account of damage and, if so, to demand compensation to the State on account of loss of oil royalties resulting from interruption of production.

Acting upon report of accountants of the Department of Finance and report of the Executive Officer, the Commission directed the Executive Officer to conduct an investigation to determine whether evidence is available to establish probable cause that one or more wells in the Elwood Oil Field drilled upon privately owned property adjacent to tidelands and submerged lands is trespassing upon such tidelands and submerged lands.

Upon advice from the Executive Officer that Submarine Oil Company, lessee of State Oil and Gas Lease No. 17, had taken bona fide steps to correct the default in notice of the Commission to this lessee dated May 27, 1940, the Commission directed the Executive Officer to advise this lessee that no further action would be taken under the said notice of termination, however, that unless the lessee proceeded with diligence to perform the covenants and observe the conditions contained in the lease that another similar notice would be given.

B. D. Owens, lessee of State Oil and Gas Lease No. 169 appeared before the Commission to protest cancellation of said lease on account of failure to file reports, pay royalties and conduct new drilling operations as required by the terms of the lease. The Executive Officer told the Commission that lessee had paid all royalty due the State and had furnished the necessary production reports and that only failure to drill new wells in accordance with the terms of the lease remained unperformed. Mr. Owens requested the Commission to give consent to a quitclaim to the State of California by him of all the area described in the lease except sufficient area for the maintenance and operation of the existing well. Upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, a resolution was adopted whereby consent was given to B. D. Owens, lessee of State Oil and Gas Lease No. 169, to surrender to the State of California all that area described in said lease except an area of 4.38 acres and that defaults contained in notice of termination heretofore given by the Commission be considered as satisfied. The Executive Officer was directed to draft proper instruments for the purpose herein mentioned and to do all other acts necessary and desirable to consummate the purpose of this resolution.

H. J. Montgomery, holder of State Oil and Gas Lease No. 170, did not appear at the meeting but it was verified by Mr. Owens that the well is not now and has not been for sometime in condition to operate and that, although Mr. Montgomery has paid all delinquent royalties and furnished reports to the State, he has not shown diligence in the operation of the well and that said lease should be considered as cancelled as of the date given in notice of default dated June 7, 1940. Upon motion of Mr. Riley, seconded by Mr. Richards, a resolution was unanimously adopted authorizing no further action with respect to said notice of default and cancellation of State Oil and Gas Lease No. 170 and that said lease is hereby cancelled as of June 22, 1940.

The Executive Officer advised the Commission of the receipt of application for an easement from Federal Works Project Administration for levee crossing in Santa Clara County. The Executive Officer was directed to obtain all the necessary information and report to the Commission at the next meeting.

The Commission directed that H. J. Arnaud be advised that his request for reconsideration of the Commission's refusal to grant a lease for a private hunting preserve on Sherman Island be rejected.

At this time Lt. Governor Ellis E. Patterson, Member of the Commission, joined the meeting.

The Commission directed the Executive Officer to make a personal investigation of the premises occupied by Crockett Stripped Bass Club Inc., at the foot of Carquinez Bridge to determine whether the premises are open at all times to the public and also to investigate occupancies of submerged lands westerly and immediately adjacent to the premises occupied by the Crockett Stripped Bass Club Inc., and to report his findings to the Commission at the next meeting.

The Commission directed the Executive Officer to advise Terry T. Silva that no action would be taken upon his application for a lease of submerged lands in the Sacramento River near Rio Vista for anchorage of a house boat and launch.

The application of the Calaveras Cement Company, a corporation, for easements over and under certain rivers and navigable sloughs in the vicinity of Rio Vista for gas pipe line crossings was again considered by the Commission. Present representing the Calaveras Cement Company, a corporation, were the following:

Wallace Mein, President, Calaveras Cement Company
H. C. Maginn
Louis J. Brunel

Present representing the Standard Oil Company of California, a corporation, were

Felix T. Smith, Esq., of Messrs. Pillsbury,
Madison & Sutro, and
J. H. Thatcher.

The Chairman of the Commission reviewed the proceedings up to the present consideration of the application, and then requested the Executive Officer to give his recommendation.

The Executive Officer reported as follows:

From a careful study of the application of the Calaveras Cement Company and reports of members of the technical staff of the State Lands Commission, it is deemed inadvisable to recommend that the Commission grant an easement without qualification or limitation for gas pipe line crossing.

It is recommended that the State Lands Commission grant easements to the Calaveras Cement Company in which easements would be inserted conditions substantially to the effect that until otherwise provided by law, the grantee of such easements shall not transport through such pipe lines a total quantity of gas greater than the ratio of its acreage to the entire acreage in the gas field, except such gas as the grantee must purchase in the field produced upon an acreage basis which such gas could also be transported through such pipe line without violation of the conditions.

The Chairman of the Commission asked the President of the Calaveras Cement Company, a corporation, whether easements substantially in the form described by the Executive Officer and otherwise in accordance with the standard form of easement of the State of California would be acceptable. The president answered in the affirmative. Mr. Smith stated that the Standard Oil Company of California was interested in the granting of any such easement and expressed the opinion that an easement substantially in such form would protect the public interest. On motion of Mr. Riley, and

seconded by Mr. Patterson, and unanimously carried, a resolution was adopted issuing to the Calaveras Cement Company, a corporation, an easement over and across those certain navigable streams of the State of California more particularly described in applications of Calaveras Cement Company, a corporation, on file with State Lands Commission, for a period of 25 years in accordance with the standard form of easement issued by the State Lands Commission and containing a special provision or condition in substance that the grantee shall never transport through such pipe line any quantity of gas in excess of quota of Calaveras Cement Company, a corporation, whereby it could produce that portion of the current production of the entire field in the ratio its acreage bears to the entire acreage in the producing Rio Vista Gas Field, except such gas as the grantee may purchase in the field produced upon the same basis, and that there shall vest in the State Lands Commission at all times during the life of the easement the power to determine such quantity of gas which determination of the State Lands Commission shall be final and there shall be inserted a forfeiture clause whereby the State Lands Commission upon behalf of the State of California shall have the power to forfeit the easement in its entirety for failure to perform covenants and observe conditions contained in the easement. The Executive Officer shall submit the form of easement to the Calaveras Cement Company, and upon final completion of it, to refer it to the Commission for approval as to form.

The Executive Officer reported that J. H. McKnight, lessee of State Mineral Lease No. 266, is indebted to the State in the sum of \$240.00 representing rental. The Executive Officer was directed to endeavor to obtain the delinquent rental from the lessee.

The Commission was advised that the lessees of State Mineral Leases Nos. 396 and 397 had paid rentals to date but had failed to perform working shifts as required by the terms of the leases. The Commission directed that no steps be taken at this time to cancel the leases in view of the payment of rental to date.

The Executive Officer advised that he had been unable to locate the permittee of State Mineral Prospecting Permit No. 391. The Commission directed that the prospecting permit be not cancelled and that future effort be made to locate the permittee and request him to furnish reports in accordance with the terms of the permit.

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. Issue Grazing Leases Nos. 747 and 750, inclusive;
2. Execution by the Executive Officer of certificates to the Governor for issuance of patents, numbered 18851 to 18860, inclusive;
3. Assignment of Lease No. 675, Fish Canyon, by Ella Millard to C. V. Dall and Viola M. Dall, his wife;

4. Issuance of duplicate of Certificate of Purchase No. 3850 issued July 11, 1940, to John G. Totton for the land embraced in Location No. 3758, Susanville Land District;

5. Refund \$100.00 to J. E. Holliday under Section 3571 of the Political Code, paid by him for the lands embraced in a State lieu land selection rejected by the General Land Office August 9, 1905;

6. Issuance of extension of term of lease to Gene Celli of 23.878 acres on Sherman Island at a rental of \$5.00 per acre for a period of three years commencing July 1, 1940;

7. 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.

The Executive Officer reported to the Commission that accountants in the Department of Finance had recommended that F. J. Hortig, Petroleum Production Inspector, of the Division of Lands, be placed in charge of all field operations including oil and gas and minerals, of the Division of State Lands, and that he be required to report directly to the Commission through the Executive Officer. Upon motion of Mr. Riley, seconded by Mr. Patterson, a resolution was adopted directing the Executive Officer to assign F. J. Hortig to field duties and operations and to report to the Commission through the Executive Officer, and that Tracy L. Atherton be directed to report to the Commission of ways and means of establishing ordinary high water mark, the numbers and type of wharves, piers, and other structures now appearing to be constructed upon tidelands and submerged lands of the State, together with the cost of conducting surveys necessary to establish ordinary high water mark, and that Mr. Atherton be available for consultation to F. J. Hortig and to the Petroleum Production Auditor, when appointed.

Mr. Ernest Aronstein, accountant in the Department of Finance, discussed with the Commission his study of the filing system covering public lands of the State of California and recommended to the Commission that a new system be installed in collaboration with WPA to cost about \$50,000.00 and to require the services of 12 to 15 people for a period of 2½ years or 40 people for a period of one year. It was pointed out to the Commission that moneys might not be available from the State Lands Act Fund to meet the sponsor's contribution. The Executive Officer was directed to make application to the Attorney General for an opinion to determine the powers of the Commission in this connection.

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