

A meeting of the State Lands Commission was held in the office of the Department of Finance, State Building, Los Angeles, at 10 o'clock A. M., December 14, 1940.

Present were:

George Killion, Chairman,
Harry B. Riley, Member,
Ellis E. Patterson, Member.

Absent was:

None.

The Executive Officer stated that minutes of the Commission of November 23, 1940, had been submitted to the Commission for consideration.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and un-animously carried, resolution was adopted approving and confirming the minutes of the meeting of November 23, 1940.

Paul E. Schwab, Esq., Attorney for the Estate of Frederick T. Speik, deceased, operator of well described in Agreement for Easement No. 300, Huntington Beach, appeared in support of application filed by him for consent of the Commission to redrill this well.

J. J. Rifkind, Esq., one of the attorneys for the Trustee, operator of the well in Agreement for Easement No. 309, Huntington Beach, appeared in opposition to the granting of the consent. Also appearing upon behalf of the applicant were eleven other people representing creditors of the estate and having other representations. C. L. Larzelere, Esq., spoke upon behalf of John H. Marion, who has been engaged by the Speik interests to redrill the well if and when consent is obtained.

After hearing arguments made upon behalf of and against the issuance of the consent, the Commission advised the applicants that the application would be taken under consideration. At the afternoon session, the Commission heard from its staff. After a consideration of the discussion, upon motion of Mr. Patterson, seconded by Mr. Riley, and un-animously carried, resolution was adopted, authorizing and directing the Executive Officer to advise the applicant and attorney of applicant of the unwillingness of the State Lands Commission to give consent to redrill Speik No. 4 well since it does not appear to the Commission that such redrilling program would be in the interests of the State, and further, to advise them of a restatement of a policy of the Commission not to permit redrilling operations if such proposed redrilled well would come within 200 feet of another well in place, and, in this connection, to further advise that the redrilling as proposed could result in the redrilled well coming within less than 200 feet of some 5 other wells.

David R. Faries, Esq., a director of an attorney for the Mar Rico Oil Company, operator of the well described in Agreement for Easement No. 291, Huntington Beach, appeared before the Commission to object to a charge of \$1,384.52 made against the grantee in this easement for failure to pay royalty upon oil produced from the well. The grantee had withheld this sum upon the theory that it represented the cost of oil used as a circulating fluid in the redrilling of the well. After hearing Mr. Faries the Commission took the matter under advisement. At the recessed meeting the same day, the Commission heard

from its staff. The Commission was advised that neither the ease-
ment nor the rules of the Commission at that time authorized any

credit for use of oil as a circulating fluid.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and un-animously carried, resolution was adopted authorizing and directing the Executive Officer to advise Mr. Faries and the grantee of this easement of its unwillingness to waive or in any manner excuse the payment of this sum.

Arch Ekdale, Esq., attorney for R. F. Wilson, and partner, asked the Commission to reconsider its earlier proposal to authorize the issuance of an easement over tidelands and submerged lands near Ramero Canyon on Santa Monica Bay, for the construction of a recreational pier or wharf for period of twelve years at an annual consideration of the sum of \$180.00. Mr. Ekdale specifically asked that Mr. Wilson should be assured of a longer term and at a lower consideration for the earlier part of the term. The Commission gave further consideration to the request after having heard from the staff.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and un-animously carried, authorizing and directing the Executive Officer to advise the applicant of its unwillingness to vary the terms of the proposal heretofore issued.

Mr. J. A. Donergan, a Manhattan Beach property owner, again appeared before the Commission to request that the Commission authorize the re-running of the ordinary high water mark at Manhattan Beach. He suggested that survey after the winter storms would show the line inshore of its location as of the survey of October 1940. The Commission heard from both Mr. Lonergan and Mr. Atherton, its engineer. At the resumption of business following noon recess, upon motion of Mr. Riley, seconded by Mr. Patterson, and un-animously carried, resolution was adopted authorizing and directing the re-running of the line of ordinary high water mark, the cost of the survey not to exceed \$200.00.

M. M. Mier, Esq., attorney for the Mt. Whitney Talc Company, lessee of State Mineral Lease No. 207, appeared upon request of the Commission to discuss disposition of a tunnel drilled into property described in the State lease and into adjacent privately owned property. Mr. Mier agreed that it would be more economical to the lessee to pay the State a royalty of 5%, the same royalty provided in the lease, upon all mineral taken out of the tunnel whether produced upon adjacent privately owned lands or State lands.

Upon motion of Mr. Riley, seconded by Mr. Patterson, and un-animously carried, resolution was adopted authorizing and directing the Executive Officer to prepare an amendment to State Mineral Lease No. 207, whereby the lessee would pay to the State of California a royalty of 5% upon all mineral taken out of the tunnel, whether produced upon privately owned adjacent lands or State lands, and furthermore not to waive any rights which the State may have with respect to mineral already removed and upon which no royalty may have been paid.

The Executive Officer reported that on November 24, 1940, a truckdriver broke two seals of a shipping tank on upland premises of Agreement for Easement No. 331, Huntington Beach, and that a charge was made against the grantee of the easement as follows:

For the expense of breaking the first seal, the full capacity of the tank to the lowest suction gauge, with the highest gravity, and the lowest cut (for the past two months) be charged;

For breaking the second seal the same tank from two feet eight inches to the lowest suction gauge a similar gravity and cut be charged.

It was pointed out to the Commission by the staff that the truck driver who broke these seals was unacquainted with the practice in the field and that the operator of the easement had agreed to the charges hereinbefore mentioned, and upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, resolution was adopted confirming and ratifying the action taken by the field office in this matter.

The Executive Officer read a report by F. J. Hortig, Petroleum Production Inspector of the Commission, that lack of offset wells in the Summerland Oil Field due to the cancellation of Leases Nos. 16 and 17, might cost the State as much as \$7.10 per month. The Executive Officer advised the Commission that studies would continue from time to time and should any change occur, the Commission would be so advised.

The Commission was advised that it appeared from opinion of the Attorney General dated February 21, 1935, numbered 9804, that the Commission has no legal authority to assess a fee against a municipality or political subdivision for construction of seacoast structures under Section 690.10 of the Political Code but that the Commission may charge only its actual cost.

Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, resolution was adopted directing charges of actual cost be made against the Oxnard Harbor District on account of construction of two jetties on tidelands and submerged lands and likewise against the City of Seal Beach, a municipality, on account of construction of a jetty and to authorize a refund to said district and municipality for any charges in excess of actual costs.

The Commission was advised that the Natural Soda Products Company, one of the State's lessees at Owens Lake, has recovered a judgment in the Superior Court of Inyo County, against the City of Los Angeles and the Department of Water and Power in excess of \$150,000 on account of flooding of Owens Lake by the City and Department and thus diluting the brine to such an extent that production of minerals could not take place during such flooding. In this connection the Executive Officer mentioned the suit of the State of California for damages against the same parties and that it was planned to ask the legislature to increase the royalty rates at Owens Lake and further to incorporate the necessary leasing provisions in the "State Lands Act of 1938" to provide for competitive bidding.

The Executive Officer read report contained in the calendar with reference to issuance and supervision of State mineral prospecting permits and leases. At the conclusion of the discussion the Executive Officer was directed to request Mr. Walter W. Bradley, State Mineralogist, to appear before the Commission at the next meeting at Sacramento for the purpose of discussing ways and means of increasing production of minerals from lands under the jurisdiction of the State Lands Commission.

The Executive Officer reported that after the leases had been issued to W. A. Lesper, et al., for the extraction of tungsten in areas owned by the State in the New York Mountains, San Bernardino County, J. M. Door stated that he had a contract for the sale of the said

property with Mr. Leeper. The Executive Officer reported that he had advised Mr. Door that the Commission could do nothing for him inasmuch as he had no authority to enter into a contract to sell State property.

A report prepared by F. J. Hortig, Petroleum Production Inspector of the Commission, with reference to State Mineral Lease No. 268, of which Franklin Booth is the lessee, was presented to the Commission. From this report it appears that on September 16, 1940, when Mr. Hortig visited the premises there were no tools or machinery on the lease and it appeared that operations had not been conducted on the property for some time. The records of the Division disclose that only 379 tons of talc have been removed from the premises since August 3, 1934, the date of the issuance of the lease, and that there had been no shipments and no work since May 1939. The Commission was advised that this condition constitutes a definite default under Section 2b of the lease which provides in part as follows:

"** to conduct with reasonable diligence the working of the demised premises** and to complete at least 1,000 shifts each and every year**"

and Section 2g

"** to exercise reasonable diligence in the exploiting and working of the demised premises unless consent to suspend operations temporarily is granted by the State".

It was recommended that the Commission direct that notice of cancellation be given to this lessee for the foregoing reasons. Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, resolution was adopted authorizing and directing the Executive Officer, to give notice to this lessee of the intention to cancel said lease unless bonafide steps are taken by the lessee within the period set forth in the lease to correct the defaults hereinbefore mentioned.

Letters from the State Controller dated November 27, 1940, and December 12, 1940, were read, in which he advised that the sum total of \$115,000.00 should be transferred 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 motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted directing the transfer from the State Lands Act Fund in accordance with the suggestion of the State Controller.

The Commission was advised that steps had been taken for survey to establish line of ordinary high water mark at Goleta in connection with earlier authorization of the Commission to invite bids for extraction of the State's gas from this field. The Commission was advised that no gas is being produced in Goleta Gas Field.

The Commission was presented with estimates covering costs of moving from Los Angeles to Sacramento under three alternative plans. These costs include investments already made in the State Building at Los Angeles by the Commission as well as additional recurring charges.

The Executive Officer reported to the Commission that it had received application from Southern California Edison Company Ltd. for

rights-of-way over seven sections of school lands in San Bernardino County for its Boulder-Chino transmission lines.

Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, resolution was adopted authorizing and directing the Executive Officer to obtain an appraisal of the properties and report to the Commission at the next meeting.

Mr. R. H. Pence, representative of the Oil Administrator, voluntarily curtailment committee, asked the Commission to make available surveys of certain wells at Huntington Beach or locations of producing areas of certain wells for the purpose of promoting curtailment at Huntington Beach.

The Commission after discussion with its technical staff decided that it would not be in the interests of the State to make such information available to the Oil Administrator or any other person and directed that Mr. Pence be so advised. In this connection the Executive Officer was directed to write the Director of Natural Resources via the Director of Finance and request him to take such steps as he might deem necessary to make information confidential in nature and filed with the Division of Oil and Gas available to the inspection of representatives of the State Lands Commission.

The Executive Officer reported that another conversation had been had with Mr. Edwin W. Pauley, President of the Petrol Corporation, respecting the redrilling of "Ames" No. 3 well described in Agreement for Easement No. 323, Huntington Beach, which easement was reinstated by the Commission at an earlier meeting. The Commission was advised that Mr. Pauley had stated he considered the consent had been given by the Commission on account of the reinstatement and that he planned to endeavor to produce oil from the well without redrilling the same. The Executive Officer advised the Commission that prior to the cancellation of this easement the grantee could at any time have cleaned out the well in an attempt to restore production but at that time and for sometime prior thereto the grantee desired to redrill the well and this was the permission which the Commission refused to give. As the Commission was earlier advised by the Executive Officer, the cancellation appeared to be in error since the Commission subsequently permitted the redrilling of a well in that particular area and that it did not seem fair to this grantee to refuse it the right to redrill.

In view of this explanation the Commission directed the Executive Officer to advise the grantee that the action heretofore taken in reinstating the easement was rescinded and asked that Mr. Pauley or his representative appear before the Commission at the next meeting or at his convenience to discuss or explain any error which may have been contained in the Commission's order of cancellation.

Dr. E. K. Soper mentioned to the Commission of the possibility of an extension of the oil field westerly of the most westerly tideland lease at Elwood as well as prospects of oil off Seal Beach and of gas at Suisun Bay. At the request of Mr. Killion, he further discussed the method of determining the State's share of production in the Rio Vista Gas Field.

The Commission was advised that it had not been possible to make an arrangement with the Department of Finance for the furnishing

of accounting services for at least a portion of each month. The Commission directed that someone with bookkeeping experience be employed to handle the work of the Commission.

H. J. March, President, Southwest Exploration Company, grantee of Agreement for Easement No. 392, Huntington Beach, appeared before the Commission to protest against royalty charges made upon the sale of gas as follows:

September 14, 1940, the State charged its royalty on two sales of gas at Huntington Beach at price of 7½ cents per m.c.f., representing the minimum.

The State had refused to allow a credit to the Grantee upon gas used for the drilling of first two wells by Southwest Exploration Company in 1938 and 1939 which gas the grantee had borrowed and sought to return without payment of royalty.

It was pointed out upon behalf of the Commission that a rule now in effect provides that the State's royalty shall be calculated upon minimum of 7½ cents per m.c.f. on all gas for use in the field except when consent is given to sell at a lower price.

Considerable discussion was had in which Mr. March and members of the staff participated. On motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted consenting to sales of gas within field, billed on September 14, 1940 for months of June and July 1940, at five cents per m.c.f., the actual price received by the grantee and the reasonable market value for such gas sold and the Executive Officer was instructed to give consent upon behalf of the Commission to future sales at a rate not below five cents per m.c.f. if such sales should represent the reasonable market value.

Thereupon Mr. March withdrew upon behalf of the grantee claim for refund or credit of gas used in the drilling of the first two wells of the Southwest Exploration Company at Huntington Beach.

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