

A meeting of the State Lands Commission was held in the office of the Department of Finance, State Capitol, Sacramento, May 28, 1941, at ten o'clock A. M.

Present were:

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

The Executive Officer advised the members of the Commission that each had been furnished with copies of minutes of meetings of the Commission of May 2 and May 7, 1941, and upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, said minutes were approved and confirmed as submitted.

Verner Allen of San Francisco, in company with Mr. Harold Tripp and Paul Kraft, appeared before the Commission with reference to certain mineral lands of the State in Stanislaus County. The Commission had on two prior occasions offered to lease the lands to the highest bidders. Messrs. Tripp and Kraft had submitted the only bids for lease of the lands but had failed to deposit bonds with the State. The question before the Commission is whether time should be extended within which Messrs. Tripp and Kraft could file bonds or whether bids should again be invited for the leases to the lands. After discussion, upon motion by Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted authorizing and directing the Executive Officer to invite bids for leasing of the said lands for extraction of manganese, upon application of a qualified applicant.

The Executive Officer presented an application of J. A. Olsen, together with geological report of April 15, 1941, by R. G. Meade, consulting engineer and geologist, requesting the Commission to invite bids for extraction of oil and gas from tidelands and submerged lands fronting Seal Beach, California. In support of the report of Mr. Meade, a report of Dr. E. K. Soper, Consulting Geologist and Petroleum Engineer of the Commission, was discussed. From these reports, it appeared that an oil and gas field may exist fronting the city of Seal Beach, and that the reservoir pressure and the oil and gas therein may be drained by means of existing wells on the adjacent upland. The Chairman suggested in connection with this matter that the Executive Officer prepare an itinerary for inspection on or about June 20, depending upon the adjournment date of the Legislature, for the oil fields in the vicinity of Santa Barbara, Huntington Beach, Seal Beach and Owens Lake. In the meantime, Dr. Soper was requested to furnish to the Commission an additional report containing suggestions for exact location of the lands for which bids would be invited, together with the area of parcel or parcels to be offered.

Assemblyman Harold F. Sewallisch appeared before the Commission to discuss the maintenance of a decommissioned train boat now anchored in submerged lands of the State at Antioch, California. Mr. J. M. Cesa and Mr. Lawrence Lauritzen were present to obtain permission of the State to allow the boat to remain. From the discussion, it appeared that Mr. Cesa is the owner of the boat. Several years ago he made application to the State for a lease of the premises occupied by the boat but did not sign

the lease. During the interim he has leased the boat to Mr. Lauritzen who has been paying Mr. Cesa a cash consideration for the use of it. Mr. Sawallisch explained that a number of citizens at Antioch object to the anchorage of the boat at this position for the reason that it constitutes a fire hazard. Mr. Cesa and Mr. Lauritzen both admitted that the boat was a purpresture. After a discussion, the Chairman advised those in attendance that the Commission would take the matter under advisement and inform them of its decision. The Chairman then requested a further report upon

- (a) Is the yacht harbor necessary and desirable;
- (b) Should the Commission call for bids for a yacht harbor at this location;
- (c) Consider whether Mr. Cesa should be the successful bidder, should pay the rental for the period of occupancy, and whether the rental as proposed to Mr. Cesa some years ago is a fair and just rental.

F. J. Hortig, Petroleum Production Inspector, explained to the Commission that considerable study had been given by Mr. Watson, Mr. Aronstein of the Department of Finance, and himself, of methods now employed to test and measure gas and gasoline. He estimated that a 100% check of all such operations would cost approximately \$35,000.00 a biannium and would entail the employment of approximately twelve men. Mr. Watson advised that the State may be losing about 5% on account of lack of correct methods of testing and checking. On account of the complexities involved, the Commission desired to give the problem further study and requested that Messrs. Hortig and Watson of the State Lands Commission and Messrs. Aronstein and Moore of the Department of Finance furnish the Commission with further reports, including recommendations.

A report of Dr. E. K. Soper, consultant to the Commission, containing a recommendation that the Commission approve and adopt revisions of the State's interests in the Rio Vista Gas Field, was read. From this report it appeared that percentages of the State's interest in the field have changed from the inception of the agreement to and including April 9, 1941, as follows:

June 3, 1940 (date of easement)	- 12.62%
September 1, 1940	- 13.997%
October 14, 1940	- 13.961%
April 9, 1941	- 13.492%

According to Mr. Watson, the figure of 13.961% increased the State's royalty approximately \$350.00 per month over the percentage estimate at the time of the inception of the agreement. It was pointed out to the Commission that it must expect a reduction of the State's percentage in the field possibly as low as 9% during the life of the field, but that the State well is on the top of the structure, and therefore the State property should continue to produce gas during the life of the field. Upon motion of Mr. Fatterson, seconded by Mr. Riley, and unanimously carried, the report of Dr. E. K. Soper was approved as submitted and report ordered filed.

The Standard Oil Company of California, grantee of Agreement for Easement No. 338, Huntington Beach, has asked the Commission to give consideration to modification of the easement to permit it to account to the State for royalties upon gasoline on the basis of 15% of 100% of such gasoline instead of 1/5 of the net proceeds. Mr. Watson had filed a report for the Commission, and after discussion, the Chairman requested that copies of Mr. Watson's report be forwarded to the members of the Commission for further consideration at the next meeting.

The Executive Officer reported to the Commission that the gauger of the Commission at Rio Vista had not yet been able to obtain possession of certain gas charts from meters in the Rio Vista Gas Field for the purpose of examination, and that weeks have been spent in conferences with the Amerada Petroleum Corporation, Standard Oil Company and the Pacific Gas and Electric Company. Finally, according to the Executive Officer, the Pacific Gas and Electric Company advised the Standard Oil Company the State could examine the charts in the Rio Vista Gas Field if the Amerada Petroleum Corporation had no objection, and if so, then the charts might be examined in the office of the Pacific Gas & Electric Company at San Francisco. Up to date, the Amerada Petroleum Corporation has consistently objected to examination of the charts while in the possession of that company. It was explained to the Commission that it would be undesirable and tardy for the State to examine these charts in San Francisco. After discussion, upon motion of Mr. Riley, seconded by Mr. Fatterson, and unanimously carried, F. J. Hertig was directed to give further study to the problem and advise the Commission whether it would be practicable for the State to install its own meters in the field.

A report was made to the Commission of the amount of production from well described in Agreement for Easement No. 415, Rio Vista. From this report, it appeared that this well produced 1880 m.c.f. per day during the month of March. During April, production was 2038 m.c.f. per day, or total during April of 61,163 m.c.f. while the State's share of the field production was 62,755 m.c.f. From this it appeared that the production for April was approximately in proportion to the State's interest in the total production from the field, but no attempt has been made to make up shortages for the months of September 1940 to date. The Executive Officer advised the Commission that the Standard Oil Company had asked that any decision on this problem be withheld until the next meeting of the Commission, at which time the grantee expects to have some additional information.

It was proposed to the Commission that a portion of a rule of the Division of State Lands promulgated March 9, 1934, reading as follows:

"Condition of Oil. Where an adjustment is made from a wet gravity to a dry gravity the basis of adjustment shall be the chart published by the State Division of Oil and Gas for that purpose, said chart being known as 'Gravity of Mixture of Oil and Water' ",

be deleted, and in lieu rule be promulgated as follows:

"Where an adjustment is made from a wet gravity to a dry gravity, the adjustment shall be made by the calculation of the A. P. I. gravity of the oil in the mixture or emulsion, or by means of the

correction chart published by the State Lands Commission for that purpose, said chart being known as 'Gravity of Oil in Mixtures or Emulsions of Oil and Water'. In all adjustments of gravity by calculation or the use of a correction chart, the specific gravity of the water in the mixture or emulsion shall be considered as 1.0000 at 60 degrees Fahrenheit unless prior written approval for another value of specific gravity, as determined by tests of the water produced, has been secured."

Mr. Hortig explained the purpose of recommendation for change of the rule and presented to the Commission a chart to illustrate the proposal. Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted whereby the foregoing rule and regulation of the State Lands Commission was adopted and approved, effective June 15, 1941.

The request of Harold Harby, Los Angeles City Councilman, and of the City Clerk of Los Angeles City, for assignment of a representative of the Commission to serve on a beach protection and development committee for Westgate and Santa Monica additions was presented to the Commission. After discussion, upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted instructing the Executive Officer to advise them that the State Lands Commission has no authority under the law to participate in such a program and must therefore respectfully decline.

The application of Madden and Lewis Company for an easement over submerged lands fronting the City of Sausalito for a yacht harbor was next discussed. The applicants having submitted a revised description, it became necessary to recalculate the amount of rental. The Executive Officer advised the Commission that Tracy L. Atherton, Engineer of the Commission, had made the investigation and found that fair and just rental for 5.1 acres described in supplemental application would be \$90.00 per year per acre. Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted authorizing and directing the Executive Officer to issue to the applicants an easement in accordance with form heretofore approved by the Commission for a period of 12 years covering 5.1 acres, described in supplemental application of applicants, and at an annual rental in advance of \$90.00 per acre.

The lessee of State Mineral Lease No. 405 for premises of the State in the vicinity of Twenty-nine Palms, California, filed an application for modification of certain provisions of the lease, to wit: that a lease contain a more definite provision for deductions and the lessee be authorized to remove milling machinery from the property under certain conditions, and an assignment of the lease to Gold Crown Mining Company. Mr. Hortig made a report to the Commission respecting the Gold Crown Mining Company which was favorable. Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted whereby the Executive Officer was authorized and directed to modify said lease to make more definite the provision that the State's royalty would be calculated upon the amount received by the lessee after deduction of transportation and milling costs, with the limitation that the sales price of

the mineral should not be less than the reasonable market value, and that the lessee be permitted within a period of 60 days after the termination of cancellation of the lease to remove machinery installed on the State property for milling the ore and if not removed within that time, such machinery to become the property of the State, and after modification of the lease in accordance with the foregoing, to execute upon behalf of the State Lands Commission an assignment from the lessee to the Gold Crown Mining Company.

Mr. Hortig made a report upon State Mineral Leases Nos. 420, 421, 422 and 423, of lands of the State in New York Mountains, San Bernardino County. From the report it appeared that Messrs. J. M. and J. O. Dorr have been removing ore from the property and have prevented lessees of the State from crossing the roadway leading to the State properties on the ground that they are the exclusive owners of the roadway. Upon motion of Mr. Riley, seconded by Mr. Patterson, and un-animously carried, a resolution was adopted instructing the Executive Officer to present the problem to the Attorney General with the suggestion that he take proper action to protect the interests of the State.

Mr. Hortig reported upon the sale of certain State lands in San Bernardino County to one H. K. Parsons. It appeared from the application filed by Mr. Parsons to purchase these lands that he had made an affidavit that the lands were not known to contain minerals, whereas it appeared from investigation conducted by Mr. Hortig and his report that Mr. Parsons had conducted prospecting upon the properties prior to filing of the application, that the land was known to be mineral in character prior to the filing, and after obtaining a patent to the lands had extracted minerals from the properties. Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted authorizing and instructing the Executive Officer to present the problem to the Attorney General with the request that he take necessary steps to protect the interests of the State.

Assemblyman Alfred W. Robertson appeared before the Commission upon behalf of Russell L. Williams, applicant for lease of the pier on State lands at Summerland. Mr. Robertson explained that the applicant feels that the rental proposed by the Commission of \$400.00 a year is too high. Mr. Robertson proposed an annual rental of \$200.00 per year for a period of five years, with the understanding that the lessee would keep the pier in repair. Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted authorizing and directing the Executive Officer to execute upon behalf of the Commission an easement to the applicant covering said pier and lands of the State upon which the pier is constructed for a period of five years, and annual rental in advance of \$200.00 upon condition that the lessee keep the pier in good condition and repair during the period of the lease and otherwise in accordance with form of lease heretofore approved by the Commission.

The Executive Officer reported to the Commission that he had been unable to obtain favorable recommendation of the Assembly Committee on Natural Resources to empower the State Lands Commission to establish royalties in existing leases at Owens Lake; that he

would appear before the Committee on Natural Resources of the Senate on the following day if the Commission so approved, but that from a preliminary check, it appeared that due to the objection of Senator Brown, the Committee would be unwilling to give favorable recommendation to any proposal of the Commission to study royalty rates at Owens Lake. The Executive Officer was directed to appear before the Committee the following day and to request favorable recommendation upon the matter.

Reference was made to the completion of a study by the staff of the Commission with respect to methods of reporting by grantee of Easement No. 392, Huntington Beach, of gas blown into the air and an under payment of royalty to the State. H. J. March, President of the Southwest Exploration Company, the grantee, requested that an opportunity be given to discuss the problem with the staff and the matter be continued until the next meeting. The Commission passed the matter to the next meeting.

A letter from H. J. March, President of the Southwest Exploration Company, grantee of Agreement for Easement No. 392, Huntington Beach, was presented, requesting permission to suspend operations for a period of four weeks commencing on or about July 10, 1941, to permit employees to take a vacation at one time. It was explained that the suspension would not affect the production of oil but only the rate of drilling. Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted approving the proposal of this grantee.

Thereupon the Commission took a recess until the following day at 2:00 P. M.

The meeting of May 28 was resumed in the office of the Department of Finance, State Capitol, Sacramento, at two o'clock P. M., May 29, 1941.

Present were:

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

A report of Dr. E. K. Soper was presented to the Commission showing that the Reclamation Board controls seven tracts of lands forming the portions of the bed of the Sacramento River in the vicinity of Rio Vista, containing approximately 246 acres. Dr. Soper explained that if the lands were placed under the jurisdiction of the State Lands Commission, the State might obtain an additional \$234 per month on account of royalties. The Executive Officer advised the Commission investigation had been made and it was found that the Reclamation Board has heretofore issued leases covering said properties.

The Executive Officer reported that progress is being made to acquire lands of the Huntington Beach Company at the corner of 17th and Ocean, Huntington Beach, as site for State Building.

Mr. J. Stuart Watson, Petroleum Auditor, reported to the Commission that only two or three inquiries had been made by grantees and lessees of the State in connection with rule of the Commission recently promulgated governing gas and gasoline.

A report of Tracy L. Atherton, Engineer, was presented, upon invitation to attend a National Congress of Surveying and Mapping, Washington D. C. June 16, 17 and 18, and that such a trip would cost from \$400.00 to \$600.00. The Commission favored the idea, however, it was felt by the members that the Attorney General would not approve the expenditure of State money for such a purpose. In this connection a reference was made to a recent opinion of the Attorney General whereby he declined to approve a trip of an accountant in the Department of Finance to study land indexing system of other states. It appeared the Commission would approve a trip by Mr. Atherton if he would care to assume the expense.

Mr. J. Stuart Watson reported to the Commission that he had been unable to obtain the sales price for certain gas sold by the Standard Oil Company of California to the Industrial Fuel Supply Company. It was suggested that the Director of Finance ascertain whether the Railroad Commission has the contract on file, and if so, whether it would be available for inspection by agents of the State.

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. Notice of intention to cancel Agreement for Easement No. 318, Huntington Beach, for failure to produce from Jones No. 1 well unless steps taken within that time to restore production;
2. Declined to approve request of the Petroleum Company that it be substituted as operator of the well in Agreement for Easement No. 290, Huntington Beach, and its request to redrill the well in accordance with proposal in writing dated May 21, 1941;
3. Establishment of line of ordinary highwater mark at Elwood early in the fiscal year commencing July 1, 1941;
4. Correct first paragraph of resolution of the State Lands Commission, page 226 of minutes of January 21, 1941 to read as follows:
"The Executive Officer recommended that the Commission authorize the cancellation of Agreements for Easements Nos. 406, and 408, Huntington Beach, issued to Surf Associates, Inc., for the reason that in the opinion of Dr. E. K. Soper, Consultant to the Commission, one of the wells, if drilled, would probably be finished in a water area and thus be unproductive of oil, and that the other well could not be drilled with safety on account of other wells in place in close proximity to the proposed course, and that the description in Agreement for Easement No. 407, Huntington Beach, issued to the same company be amended to conform with the location at which the well is finished, and further that the bond be cancelled and the first annual rentals of the easements so cancelled be refunded."
5. Confirmed issuance of permits to the United States Government to use lands of the State in Monterey County for the period June 1, 1941, to June 30, 1941;

6. Cancellation notice to lessee of State Oil and Gas Lease No. 82, Rincon;

7. Notice of intention to cancel leases and easements unless payment of rental is made within fifteen days from date of notice as follows:

Special Lease No. 6 - C. W. Henderson
Easement No. 15 - John F. Meyer
Grazing Lease No. 735 - Herman Aker
State Mineral Lease No. 339 - E. F. Dunn

8. Notice of intention to cancel mineral leases unless payment of rental is made within thirty days from date of notice as follows:

State Mineral Lease No. 396 - T. A. McCall
" " " " 397 - George Bellis

9. Mr. A. P. Ireland reported to the Commission that the State of California had in 1905 ceded to the United States Government that portion of Goose Lake located in Northern California to enable the United States Government to perform reclamation work and that the United States Government had not performed any reclamation work. Receipt of a letter from the State of Oregon was reported wherein it is suggested that the State of California collaborate with the State of Oregon to obtain a recession by the Congress of lands heretofore ceded to the Government. Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted authorizing the Executive Officer to advise the proper officers of the State of Oregon the willingness of the State of California to collaborate to obtain an act of the Congress for recession to the State of California and to the State of Oregon of the lands constituting the bed of Goose Lake.

10. Adoption of rental schedule at Fish Canyon, as follows:

1. All cabin sites in SE $\frac{1}{4}$ of SE $\frac{1}{4}$ of Section 16 - \$30.00 per year;
2. All cabin sites in NE $\frac{1}{4}$ of SE $\frac{1}{4}$ of Section 16 - \$25.00 per year;
3. All cabin sites in SE $\frac{1}{4}$ of NE $\frac{1}{4}$ of Section 16 - \$20.00 per year;
4. All cabin sites in NE $\frac{1}{4}$ of NE $\frac{1}{4}$ of Section 16 - \$15.00 per year;

11. Request Mr. A. P. Seymour to rectify a situation at Fish Canyon parking area with respect to misleading signs.

Letter from the State Controller dated May 12, 1941, was read, in which he advised that the sum total of \$60,000.00 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 un-animously carried, a resolution was adopted directing the transfer from the State Lands Act Fund in accordance with the suggestion of the State Controller.

Mr. A. P. Ireland discussed with the Commission an application to lease grazing lands of the State from a person who had had a prior grazing lease of the State but had failed to pay certain installments of the rental thereunder. It was the determination of the Commission that further leases should not be granted to persons who have refused to pay rental installments in prior leases, and the staff of the Commission was directed to act accordingly.

At the instance of Mr. Ireland, the Commission set the rental for Section 36, T. 33 N., R. 14 E., M. D. M., 640 acres, Lassen County, Lease Application 773 of Duque Bros., and Section 36, T. 33 N., R. 15 E., M. D. M., 640 acres, Lassen County, Lease Application No. 774 of Duque Bros. at a minimum of 11 cents per acre.

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