

THE MINUTES OF THE MEETING OF MAY 18, 1956 ARE APPROVED AS WRITTEN, WITH THE FOLLOWING EXCEPTION: PARAGRAPH 1, LINE 1, IS AMENDED TO READ JANUARY 19, 1956 INSTEAD OF JANUARY 19, 1955. *corrected*

2. THE DATE OF THE NEXT MEETING OF THE COMMISSION WAS LEFT OPEN, SUBJECT TO LATER DETERMINATION, WITH AN UNDERSTANDING THAT AN ATTEMPT WOULD BE MADE TO HOLD IT EARLY IN AUGUST.
3. (INITIATIVE MEASURE "OIL AND GAS CONSERVATION ACT" - W. O. 2265.) The following report was presented to the Commission:

"An initiative measure entitled "Oil and Gas Conservation Act" has been qualified to be submitted directly to the electors at the November, 1956 general election. The following is presented for the information of the Commission because of possible effect on jurisdiction and of limitations to State oil and gas lease administration by the State Lands Commission in the event the Act is adopted.

"An analysis of the major potential transfer and limiting factors in the proposed Act is attached as Exhibit 'A'.

"EXHIBIT 'A'"

"Section 4. AUTHORITY OF THE PROPOSED NEW COMMISSION"

Under this section the proposed Oil and Gas Conservation Commission would have authority to include any lands owned by the State within a proposed unit without regard to the department or division under whose authority the administration of the particular lands might be. Therefore, in some circumstances the jurisdiction of the State Lands Commission over tide and submerged lands would be transferred and placed under the jurisdiction of the new commission.

"Section 5. WELL SPACING AND POOLING OF SPACING UNITS"

This section would authorize the Oil and Gas Conservation Commission to abrogate well spacing in leases issued by the State Lands Commission.

In Paragraph D of this section, where a unit program has been set up and authority given for expenditure of money for drilling, if such expenditures are not reimbursed by the owners a lien may be placed on the production from the spacing unit to cover the expenditures. This would be a charge against State revenues.

"Section 6. UNIT OPERATION"

While it would appear that it is the intent to include State tide and submerged lands in this act, the State tide and submerged lands might be included in the spacing but not included in the voting.

because Paragraph B states that for the land to be included the consent must be had of the persons 'who own, of record, title'.

"Section 15. CIVIL SUITS

Paragraph D of this section would prohibit the State Lands Commission, in case it is a defendant, to cross complain against any other person involved in the same action.

"Section 16. PROCEDURE FOR REVIEW AND APPEAL AND ACTIONS AGAINST THE COMMISSION

Paragraph C would permit a court, under certain circumstances, to require the State Lands Commission to file a bond in case the State Lands Commission wished to obtain an injunction against or by some other means suspend an Oil and Gas Conservation Commission order.

Paragraph H of this same section could eliminate rules and regulations which have been adopted by the State Lands Commission pursuant to the Government Code for the purpose of operating State leases.

"Section 17. ASSESSMENT AND COLLECTION OF CHARGES FOR COSTS OF ADMINISTRATION

The proposed act would impose upon the State the obligation to pay a portion of the assessments set up by the Oil and Gas Conservation Commission, based upon the State's royalty share of production. This would be a charge against the State's revenues. Existing leases now require that such assessments shall be borne by the State's lessee.

Paragraph J of this same section permits these assessments to be a lien upon the land from which the oil or gas is extracted, including State land.

"Section 18. LAWS REPEALED.

This section repeals Section 6830, 6832, and 6833 of Division 6 of the Public Resources Code. These are the sections that give the State Lands Commission authority to regulate production and spacing of wells."

Mr. Watson pointed out that in the foregoing report only the major points had been reviewed, and that these comments did not necessarily cover the entire act. Also, he clarified the statement made under Section 6 by explaining that tide and submerged lands are not "lands of record" in the various offices of the county recorders.

Lieutenant Governor Powers stated that before taking any position in the matter he intended to ask the Attorney General for an opinion as to just what

Initiative Measure No. 4 would accomplish.

The Chairman questioned the staff as to whether the advice of the Attorney General was sought before the foregoing report was prepared, and was informed that this had not been done, that the report was prepared by the staff on its own.

The Chairman pointed out that certain implications of the bill indicated that advice of the Attorney General should be sought before any action was taken by the Commission, and Mr. Kirkwood concurred, both stating that they had not had time to study the measure sufficiently to familiarize themselves with it and therefore not in a position to pass judgment or to take any action at this time. It was agreed that an opinion from the Attorney General was to be obtained, and that a further analysis should be prepared by the staff as to what the act would mean in terms of dollars, if it can be estimated in that way.

Mr. Charles W. Johnson, Chief Deputy Legislative Counsel, Assembly Interim Committee on Conservation, Planning, and Public Works, upon being queried about the analysis he was making of this initiative measure for the Legislature, stated that his analysis was being prepared without the cooperation of the Attorney General's office, that it will cover all features of the act, and that it is not yet ready for release.

The Executive Officer was instructed to make a request to the Attorney General, in the name of the Commission, for an opinion with respect to Proposition No. 4 and its application to all State-owned lands, and what its effect would be upon leases, etc. The Executive Officer was further directed to assume responsibility for expediting action on this request, and for supplying each member of the Commission with a copy of the opinion of the Attorney General and with any other information which the staff may develop with respect to this matter, this to be done in advance of the next Commission meeting so that it can be studied beforehand.

Mr. Kirkwood emphasized that any action by the Commission should be taken only after a public hearing giving the industry an opportunity to be heard, and the Executive Officer was asked to take this into account.

The Chairman invited anyone present who wished to comment to do so, but there were no appearances.

4. (REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, DOUGLAS OIL COMPANY OF CALIFORNIA, HUNTINGTON BEACH - P.R.C. 1524.1.) The following report was presented to the Commission:

"On April 12, 1956 (Minute Item 12, pages 2614-15) the Commission authorized the deferment of drilling and operating requirements under Oil and Gas Lease P.R.C. 1524.1 for a period of ninety days from March 24, 1956 subject to the express condition that during the period of deferment the lessee would perform one of the following actions: