

A meeting of the State Lands Commission was held in the office of the Department of Finance, State Building, Los Angeles, at 9:30 a.m., June 25, 1938.

Present were:

A. E. Stockburger, Chairman
George J. Hatfield, Member

Absent was:

Harry B. Riley, Member

The Executive Officer read the minutes of the second meeting of the Commission held June 17, 1938, at the office of the Department of Finance, State Building, Los Angeles.

On motion of Mr. Hatfield, seconded by Mr. Stockburger, and unanimously carried, the minutes of said meeting were approved as read, and the actions taken at such meeting were ratified and confirmed.

On motion of Mr. Hatfield, seconded by Mr. Stockburger, the following resolution was unanimously adopted:

RECITAL

From a report made by the Executive Officer of the Commission, supported by photostatic copies of applications filed with the Secretary of the Interior, Washington, D. C., it appears that certain applications now pending before the Secretary of the Interior for oil and gas permits, if approved, would cast a cloud upon the titles of the State of California to minerals contained in real property of the State at Norwalk State Hospital, Whittier State School, State Narcotic Hospital at Spadra, and other State owned real property situated within the exterior boundaries of grants by the Crown of Spain and by the Republic of Mexico, and tide and submerged lands of the State of California.

It further appears that the Secretary of the Interior, upon at least one other occasion, has rejected applications for permits to prospect for and to take minerals from tide and submerged lands of the State, and that the present proceeding before the Secretary of the Interior is designed to obtain a re-hearing of such rejection or rejections.

By virtue of the State Lands Act of 1938, this Commission is empowered and directed to exercise certain jurisdiction over minerals contained in lands of the State dedicated to a public use and minerals contained in other lands of the State, including the tidelands and submerged lands.

It further appears that Section 470 (a) of the Political Code authorizes the Attorney General, upon his own motion, or upon the request of any State department or officer, to institute proceedings in the name of the People of the State of California, in any action involving the title or right to possession of any lands belonging to the State or in which it has an interest.

NOW THEREFORE BE IT RESOLVED, That the Attorney General of California be, and he is hereby, requested by this Commission to take all steps necessary and desirable to protect the interests of the State of California in the proceedings now pending before the Department of the Interior and the Secretary of the Interior to obtain a re-hearing upon applications heretofore filed with and rejected by the Secretary of the Interior to obtain permits to prospect for minerals and to extract minerals from lands owned by the State situate within exterior boundaries of grants from the Crown of Spain and the Republic of Mexico and tide-lands and submerged lands of the State.

Upon motion of Mr. Hatfield, seconded by Mr. Stockburger, the Executive Officer was directed to approve for payment statements covering the purchase of supplies and services, as follows:

H. S. Crocker Co., Inc., Sacramento	- \$.30
" " " " "	- 1.44
Dept. of Geology, Teletype charges	- 5.78
Pacific Telephone & Telegraph Co.	- 14.80
State of Calif. Div. of Mines	- 3.50
Southern Counties Gas Co.	- 3.28
Terry's Service Station & Garage	- 10.70
" " " " "	- 3.80
Simons-Harrell Abstract Co., Ltd.	- 30.00

The Executive Officer presented to the Commission a request of the Oxnard Harbor District, a public corporation, for consent to assignment of "approval of plans" issued by the Chief of the Division of State Lands on June 11, 1934, to Hueneme Dock Company, a corporation, authorizing the construction of two jetties at or near Hueneme in the County of Ventura. The Executive Officer also presented a written protest filed with the Commission by George F. Nicholson, Consulting Engineer, to any action by the Commission to authorize the construction of said jetties. Col. Charles T. Leeds, E. O. Green, Fred M. Aggen, and F. N. Edwards, Seacoast Engineer, Secretary, Member and Attorney, respectively, for the Commission, presented preliminary arguments upon behalf of the application for consent to the assignment to the District. No one appeared on behalf of the protestants. At the conclusion of the preliminary hearing, the Executive Officer was directed to obtain an opinion from the Attorney General to determine whether

- (1) The approval of plans heretofore issued by the Chief of the Division of State Lands was issued in accordance with law;
- (2) Whether the said approval of plans is now in force; and
- (3) Assuming said approval of plans was valid and approval now in force, would the Commission be required to give its consent to the assignment.

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

REPORT AND RECOMMENDATION OF EXECUTIVE OFFICER OF COMMISSION
RESPECTING PROTECTION OF STATE'S OIL AND GAS DEPOSITS
AT HUNTINGTON BEACH

There are three methods of procedure outlined in the State Lands Act of 1938 to take steps to protect the State's oil deposit at Huntington Beach from drainage.

1. Under the provisions of Section 40 of the Act, the Commission, if it deems such action for the best interests of the State, may condemn any right-of-way or easement including surface rights for any operation authorized or contemplated under the provisions of the Act. Therefore, it appears the Commission may now institute proceedings, after it has reached a determination that the oil and gas at Huntington Beach are being drained by wells drilled upon private lands to acquire surface drilling sites, and then request bids for the drilling of slanted wells. After the awarding of a lease, and under the provisions of Section 41, interests in lands acquired by condemnation may be made available to any lessee of the State for the purposes contained in the Act upon such terms and conditions as may be determined by the Commission.
2. Under the provisions of Article 6 of the Act, the State may call for bids for the purpose of offsetting wells on private lands and the extraction of oil and gas from the State's pool, either the State or the bidder to furnish the drilling sites.
3. Under the provisions of Section 89 of the Act, the Commission may ask for bids limited to those who were able to present evidence satisfactory to the Commission of the present ability of the bidder to furnish necessary sites and rights-of-way upon the adjacent upland for all operations.

After the Commission has determined that the State's oil and gas are being drained by means of wells drilled upon littoral lands, a form of lease must be prepared and then notice in a newspaper of general circulation in the county in which the lands are situated given for a period of five consecutive days of the intention of the State to lease the lands.

The form of lease approved by the Commission constitutes the form of bid. The notice of intention to lease the lands shall state the time and place for receiving and opening of bids. The Commission must allow not less than 14 days after the last date of publication of the notice within which to receive and open bids.

It is recommended that the Commission proceed under the last named method in order to determine whether the littoral owners or their successors in interest will pay a royalty which, in the judgment of the Commission, is fair and just to the State of California. Should the bids not be satisfactory to the Commission, then the Commission could institute condemnation proceedings in the manner provided in number (1) hereof.

REPORT OF ENGINEER OF DIVISION OF STATE LANDS TO
STATE LANDS COMMISSION CONCERNING DEVELOPMENT
OF OIL AND GAS BEARING LANDS OF THE STATE
AT HUNTINGTON BEACH, CALIFORNIA

The State Lands Act of 1938 provides, in part, as follows:

When it appears to the Commission that oil or gas deposits beneath State-owned tide and submerged lands are being drained by wells upon adjacent lands not owned by the State, the State Lands Commission is authorized and empowered, according to the provisions of Sections 85 and 86 of the State Lands Act, to develop the State's lands.

This report is prepared to supply and interpret engineering data which establishes that at Huntington Beach Oil-bearing tide and submerged lands west of the southerly extension of 23rd Street are being drained by wells in private ownership. The so-called "Tideland Pool" at Huntington Beach comprises all of the productive lands southwesterly of the Walnut Street fault and is approximately 1-3/4 miles long and 5/8 of a mile wide at its widest point. Three-fourths of the "Tideland Pool" lies beneath the sea.

The "Tideland Pool" was first penetrated by wells northeasterly of Ocean Avenue at the time of the Town Lot drilling at Huntington Beach. In December, 1926, the Standard Oil Company started its first well upon lands adjacent to the ocean. Between that time and August, 1928, sixteen (16) wells were completed, all of which were drilled easterly of 23rd Street, with the exception of No. 7, 200 feet west of 23rd Street, and No. 2, 4000 feet west of 23rd Street.

It was not discovered until 1934 that three of these sixteen (16) Standard Oil Company wells were completely within State tidelands, and that three others were partly in State tidelands. In addition to these six (6) wells, one well of the Superior Oil Company penetrated the pool beneath the tidelands in 1932. In 1933, active whipstock drilling began at Huntington Beach, in which the operators attempted to direction their wells so as to bottom them beneath State tidelands. The operators who engaged in this practice were necessarily confined to drilling sites easterly of 23rd Street, as westerly of 23rd Street all of the land is held by the Standard Oil Company under lease from the Huntington Beach Company and the Pacific Electric Land Company.

In October, 1933, Standard again began active drilling operations on the Pacific Electric strip, and within eighteen months completed ten (10) additional wells, all of which were bottomed beneath the Pacific Electric strip and west of 23rd Street. Nine (9) wells of those whipstocked into the tidelands by the Town Lot operators were bottomed west of 23rd Street. Five of these nine (9) wells produced partially from beneath the Pacific Electric strip, and the operators were required by Standard to abandon the holes. They were allowed, however, to drill new holes westerly of 23rd Street. In each instance the new holes were drilled at such distance from the tide line as to be ineffective as offsets to the Standard Oil Pacific Electric wells on shore.

Aside from the temporary and partial offsetting supplied by the five (5) wells mentioned above, over a period of only a year and a half, the wells on the Pacific Electric strip westerly of 23rd Street have been draining oil from beneath the tidelands for an average period of four years.

From the data available in drilling logs, we are able to construct a reasonably accurate estimate of the character and shape of the underground structure in the immediate vicinity of the tidelands adjacent to the Pacific Electric wells west of 23rd Street. It appears that the pool extends under the ocean for a distance of one half a mile from the shore. As exploration has extended toward the west, no dry holes have yet been drilled. Initial production of new wells is less than that of earlier wells drilled beneath the tidelands, but this is only to be expected, as the withdrawal of oil and gas has materially reduced the rock pressure of the pool. The characteristics of the new wells justify the extension of former estimates of the limits of the field toward the west.

There is some indication of minor faulting, parallel with and about two-hundred feet offshore, but this is based on very scanty factual data. Minor faults in the easterly end of the "Tideland Pool", while retarding transmission of oil and gas between blocks, are not considered seals against the effective equalization of pressures throughout the field and the same will probably hold true in the westerly end of the field.

From a calculation made about a year ago, it was determined that the ultimate average recovery in the east 160A. of the pool would be approximately 300,000 bbls. per acre. The average well spacing is in the neighborhood of 1-1/2A. per well.

Production from the four Standard Oil Company Pacific Electric wells between Twentieth and Twenty-third Streets from beginning of production in early 1927 to the date of effective offsetting by whipstock drilling in the Fall of 1933 is as follows:

P.E. #5	700,000 bbls.
P.E. #3	1,825,000 "
P.E. #4	518,000 "
P.E. #16	900,000 "
	<u>3,943,000 "</u>

Considering that these wells had an average spacing of $1\frac{1}{2}$ A. per well on their upland sides, we anticipate that their production from the shoreward side for the four (4) wells was 900,000 bbls., leaving 3,043,000 bbls. to be produced from their oceanward side. Even using the recovery figure of 300,000 bbls. per A. for the 4.4A. lying between the four (4) wells and the mean high tide line, we arrive at an estimate of 1,700,000 bbls. as a minimum figure for oil which was drained from the tidelands by these four (4) wells. In addition, these wells which were brought in at

P.E. #3	2,000 bbls. per day
P.E. #4	1,000 " " "
P.E. #5	650 " " "
P.E. #16	1,400 " " "

beamed in, as is Standard's custom, had so depleted the sand and reduced the gas pressure that the wide open initial production of the tideland offsets six years later were only

Well	Initial Production	Distance to Near-east P.E. Well
Wilshire 6A	438 bbls./day	190 ft. ?
Wilshire 5	388 " "	325 "
Termo McIntyre	200 " "	380 "
Sierra Huntington	443 " "	460 "
Orco "Linoleum #4"	155 " "	450 "
Elyod #1	300 " "	280 "
Benito Huntington	306 " "	560 "

It is doubtful if these seven (7) offset wells will produce ultimately a total equalling the production from the single Pacific Electric Well #3.

Drainage of this character (but not of this proportion) is taking place in the westerly half of the field today. Every day the drilling of offset wells is deferred, the loss to the State becomes greater -- not only because of the depletion of the oil reserve but also because the later an offset well is drilled the less will be its ultimate recovery and the less will be royalty which the State can exact. This is true because the capital outlay will remain the same regardless of the ultimate production.

Respectfully submitted,

Los Angeles, Calif.
June 26, 1938

Engineer, Division of State Lands