

A meeting of the State Lands Commission was held in the office of the Director of Finance, State Capitol, Sacramento, November 1, 1939.

Present were:

John R. Richards, Director of Finance
Harry B. Riley, State Controller

Absent was:

Ellis E. Patterson, Lt. Governor

The Executive Officer advised the Commission of the necessity of election of a Chairman of the Commission. Thereupon Mr. Riley nominated John R. Richards as Chairman of the State Lands Commission, and upon unanimous vote of the members present, Mr. Richards was elected Chairman of the Commission.

The Executive Officer submitted for confirmation minutes of the meetings of the State Lands Commission for August 7 and September 28, 1939.

Upon motion of Mr. Riley, seconded by Mr. Richards, the minutes of the said meetings were confirmed and approved as submitted.

The Executive Officer announced new quarters soon to be available for the Commission in the west wing of the third floor of the State Building at Los Angeles, and that it would be necessary to purchase furniture for the Commission's room and possibly a few other pieces. The Commission authorized the purchase of this furniture from the California section of the Golden Gate International Exposition should it be decided not to extend the Fair into 1940, otherwise to acquire such necessary furniture through the State Purchasing Department.

The Executive Officer reported to the Commission that no bids had been received pursuant to invitation of Commission to drill new wells at Huntington Beach and suggested that when other locations are ready, they be consolidated with the locations for which no bids were received.

The Executive Officer reported that an oil and gas well had been completed by the Standard Oil Company of California about 600 feet southerly from State Zoological Park in Kern County and from the last report the well was producing about 180 barrels per day at a gravity of 34.5. The Executive Officer was directed to make a further report to the Commission at the next meeting upon the desirability of entering into a compensatory agreement to compensate the State on account of drainage or invitation for bids to slant drill into the State Park to offset any drainage. The Commission further directed that the State Park Commission be consulted to determine whether it is the desire of that Commission that the State Lands Commission take the necessary steps to protect the interests of the State in this park.

The Executive Officer in collaboration with the Engineer of the Division discussed the advisability of taking steps to reimburse the State on account of drainage of gas from sovereign lands of the State in the bed of the Sacramento River at Rio Vista, or, in the alternative, to invite bids to drill into the bed of the River and produce gas therefrom. A written report covering the history of negotiations and proposals was handed to the Commission. This report is as follows:

RIO VISTA GAS FIELD

About two years ago production of gas was commenced from the Rio Vista Gas Field. This field is located at and in the vicinity of the City of Rio Vista on the Sacramento River. At the present time it is developed on the westerly side and development is going forward on the easterly side although it is now believed that a fault may separate the two sides since production is obtained at a higher level on the easterly side.

Operating in the field now are Amerada Petroleum Corporation, Standard Oil Company of California, The Texas Company, Superior Oil Company, Tracy Drilling Corporation, and other companies have wells there, among them being, so we are informed, the Jergens Trust. Of these companies the Amerada Petroleum Corporation controls about 50% of the known field, with the Standard Oil Company of California next.

The State by virtue of ownership of the sovereign lands in the bed of the Sacramento River controls approximately 15% to 20% of the field, depending, of course, upon the limits of the total field. This area controlled by the State may run to about 1,000 acres and probably a greater acreage.

For the past several months we have been negotiating with the Amerada Petroleum Corporation and associates whereby the State would be reimbursed for drainage. Such an agreement would not require drilling into the State lands. At the conclusion of these negotiations Amerada Petroleum Corporation agreed to pay the State a royalty of 12½% based upon the State's proportionate ownership of approximately 12½% of the field. This would have amounted to 1½% of the production from the field and would have resulted in the State receiving during the past year \$10,000.00.

Prior to the commencement of drilling operations and the actual discovery of gas, most of the owners had burdened their properties with leases; in other words, the various companies now operating there obtained the leases before gas was actually brought to the surface. These agreements contain a royalty of 12½%. In many instances bonuses of varying amounts were paid to the land owners. Had the State made such a lease or agreement prior to the discovery of gas a royalty of 12½% would have been above criticism. However, now the area is

believed to contain a tremendous quantity of gas; in fact it is said to be the largest known gas field in California and capable of producing gas for one hundred years. This, of course, would depend upon the demands made against the field.

In view of the fact that the State did not commit itself, it is believed that it is now entitled to a considerably higher royalty, possibly as much as 25% or 30%, and it is recommended that the State invite bids to pay the State either a compensatory royalty or to drill into the State lands and produce gas. Respecting the latter it is further recommended that the State lands be divided into at least three parcels and invite bids for the drilling of each parcel as well as the whole area. In addition the State should obtain from Sacramento and San Joaquin Drainage District through the Reclamation Board several drilling sites along the river. Under this program competitive bidding would be permitted in the fullest sense in that no prospective bidder would be excluded because of lack of capital to develop the entire area or inability to obtain a drilling site.

All of the companies now operating in this field are interested in bidding for one reason or another. Those in the field do not wish to have further development on a large scale since it would be necessary for them to give up some of their present sales to the Pacific Gas and Electric Company. Others on the outside are anxious to get in the field, among them being Bishop Oil Company. This company is a subsidiary of the Calaveras Cement Company which operates a cement plant at San Andreas. We are informed that Bishop Oil Company has acquired rights of way from the Sacramento River to its plant at a cost of \$25,000.00 and is prepared, when it is in a position to obtain gas, to lay a pipe line over that area costing about \$400,000.00. The potential present consumption of this plant would exceed the production to which the State would be entitled from the field.

It is now recommended that the Commission authorize the preparation of the required notices as well as the forms of agreement and invite various types of bids herein mentioned. Should the bids not be satisfactory, the Commission, of course, could reject them.

Subsequently during the meeting of the Commission, Frank W. Clark, Director of Public Works, and a member of the Reclamation Board, asked that the State Lands Commission defer its request for drilling sites at Rio Vista due to the probability of the appointment of a new membership to the Reclamation Board. Pending the acquisition of drilling sites from the Reclamation Board and other parties, Mr. Riley made a motion, seconded by Mr. Richards, and unanimously carried, that the Executive Officer prepare necessary notices, form of agreement and form of easement, to accomplish the program recommended in the foregoing report, and to take options upon behalf of the State Lands Commission of the State of California of desirable drilling sites for consideration of the Commission at the next meeting.

The Executive Officer reported to the Commission with respect to McDonald Island of negotiations heretofore had with the Standard Oil Company of California in connection with form of compensatory agreement and advised the Commission that the Standard Oil Company of California contemplated deduction of taxes and other charges which would result in the State receiving a net compensatory royalty of less than 12%. Upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, the Executive Officer was authorized and empowered to execute a compensatory agreement with Standard Oil Company of California to compensate the State on account of drainage from State lands at McDonald Island, San Joaquin County, California, on the basis of a net 12% royalty to the State based upon the market price of gas or in lieu of the market price, the price obtained by Standard Oil Company of California for gas produced from McDonald Island Field.

The Engineer reported to the Commission that the Superior Oil Company named as a grantee in Agreement for Easement No. 318, Huntington Beach, had not filed a survey of its Jones No. 1 well with the Division of Oil and Gas in accordance with covenant contained in said agreement and had taken the position that it was required to file such survey only in the event one had been made. Upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, a resolution was adopted authorizing the Executive Officer to make a formal demand upon the Superior Oil Company of California to file the correct survey with Division of Oil and Gas of Jones No. 1 well described in said Agreement for Easement No. 318, Huntington Beach.

The Executive Officer presented applications of Long Bay Corporation, a corporation, Tide Water Associated Oil Company, a corporation, and John F. Moyer for easements to use and occupy tidelands and submerged lands of the State fronting on the Pacific Ocean. Upon motion of Mr. Richards, seconded by Mr. Riley, and unanimously carried, resolutions were adopted by the Commission authorizing and directing the Executive Officer as follows:

1. To request the Director of Finance, with the consent of the Commission, to issue an easement to Long Bay Corporation, a corporation, for construction and maintenance of a pier near Point Mugu, Ventura County, California, in accordance with plans and specifications heretofore submitted to the Commission and approved by the Consulting Seacoast Engineer, for a period of 12 years at an annual rental of \$144.00.

2. To request the Director of Finance, with the consent of the Commission, to issue an easement to Tidewater Associated Oil Company, a corporation, for maintenance of an existing wharf at Caviota, Santa Barbara County, for a period of 20 years at a consideration of \$2,000.00, subject, however, to approval of type of structure by the Consulting Seacoast Engineer.

3. To communicate with Board of Supervisors of San Luis Obispo County to determine whether issuance of easement by the State for construction and maintenance of a bulkhead and underwater railway .5 of a mile south of the town of Morro, San Luis Obispo County, would be objectionable to the people of this county and to report to the Commission at the next meeting.

At this place during consideration of the calendar, Ellis E. Patterson, Lt. Governor, member of the Commission, joined the Commission together with members of the State Reclamation Board.

The Executive Officer reported receipt of four bids on or before 10 o'clock A. M., October 27, 1939, for issuance of leases for the extraction of chromite from certain lands of the State in Tehama County. Notice issued by the Commission contained statement that bids would be publicly opened by the Commission in Los Angeles at 10 o'clock A. M., on the 28th day of October, 1939, or at such later place, time and date as the Commission shall determine. There having been no meeting of the Commission on October 28, 1939, it appears necessary that a resolution be adopted setting this place, time and date, for the opening of said bids.

Upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, a resolution was adopted setting the office of the Director of ~~Reclamation~~, State Capitol, Sacramento, as the place, 9:30 A. M., as the time, and November 1, 1939, as the date, for the opening of bids for issuance of leases to extract chromite from certain lands of the State of California in Tehama County, California.

Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, resolution was adopted as follows:

Pursuant to notice of intention of the State Lands Commission to enter into agreements for the extraction of chromite from certain lands of the State described as follows:

Parcel No. 1 - SE $\frac{1}{4}$ of NE $\frac{1}{4}$ and NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of
Section 16, T. 25 N., R. 7 W.,
M. D. M.,

Parcel No. 2 - W $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 16, T. 25 N.,
R. 7 W., M. D. M.,

situate in Tehama County, California, published in accordance with law, bids were opened from persons, at royalties, covering parcels, as follows:

P. Wray - 10.32% - Parcel No. 1
Florence A. Dickey - 13% - Parcel No. 1
J. D. Greive - 10.32% - Parcel No. 2
William D. Dickey - 13% - Parcel No. 2

It appears that the respective bidders have the qualifications set forth in the "State Lands Act of 1938" and have met all of the requirements of the "State Lands Act of 1938" and said notice of this Commission, and that Florence A. Dickey is the highest qualified bidder for the SE $\frac{1}{4}$ of NE $\frac{1}{4}$ and NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of Section 16, T. 25 N., R. 7 W., M. D. M., and that William D. Dickey is the highest qualified bidder for the W $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 16, T. 25 N., R. 7 W., M. D. M.

NOW THEREFORE BE IT RESOLVED That the bid of Florence A. Dickey for the SE $\frac{1}{4}$ of NE $\frac{1}{4}$ and NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of Section 16, T. 25 N., R. 7 W., M. D. M., and the bid of William D. Dickey for the W $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 16, T. 25 N., R. 7 W., M. D. M., be accepted as submitted, and that the Executive Officer be, and he is hereby, authorized, empowered and directed to execute upon behalf of the State Lands Commission forms of bids submitted by the respective bidders and constituting leases with the State of California, and

BE IT FURTHER RESOLVED That the Attorney be, and he is hereby authorized, empowered and directed to do any and all things necessary to effectuate the intents and purposes of this resolution and the "State Lands Act of 1938" insofar as applicable thereto.

Mr. Patterson reported to the Commission of his investigation of the occupancy by J. H. Jackson of certain lands of the State of California in San Luis Obispo County, and recommended that Mr. Jackson be given an opportunity to pay up the taxes now due and compensate the State, but, if he should not do so, the Commission should give further consideration to appropriate action.

Upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, resolution was adopted requesting Mr. Patterson to conduct such other investigations as he might deem appropriate and to advise the Commission of his findings at the next meeting.

Upon motion of Mr. Riley, seconded by Mr. Patterson, 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. Consent to the subletting by Duque Bros., lessees of State Grazing Leases Nos. 696, 700, 701 and 732, of the respective premises described in said leases, for the period of one year with the understanding that such subletting shall not be construed as consent to further subletting or as a consent to an assignment.

2. Fix the minimum rental at 10 cents per acre per year and the maximum term of lease at three years for grazing lease covering the S $\frac{1}{2}$ of Section 36, T. 26 S., R. 30 E., M. D. M., containing 320 acres in Kern County, and execute lease to such bidder unless a higher bid is received, then to such higher bidder.

3. Consent to easement at no monetary consideration to the State to be executed by Director of Finance, to U. S. Forest Service, for a truck trail over the W $\frac{1}{2}$ of NE $\frac{1}{4}$ and E $\frac{1}{2}$ of NW $\frac{1}{4}$ of Section 36, T. 28 N., R. 8 E., M. D. M., in Lassen County, California, for so long as trail is used, upon condition that U. S. Forest Service surrender easement heretofore granted for truck trail issued by the State of California, or indicate no further need for said trucktrail.

4. Consent to issuance of a lease to be executed by Director of Finance to Civil Aeronautics Authority for period not to exceed five years at an annual rental of \$1.00 covering the W $\frac{1}{2}$ and E $\frac{1}{2}$ of SE $\frac{1}{4}$

of Section 36, T. 15 N., R. 8 E., S. B. M., San Bernardino County, California, to be used as an intermediate airway landing field.

5. Issue prospecting permit to James Brown, General Delivery, Redding, covering the SW $\frac{1}{4}$ of Section 36, T. 23 N., R. 8 E., M. D. M., Plumas County, California, in accordance with law and rules and regulations of the Commission covering such procedure after ascertaining the royalty rate to which the Commission would issue a lease upon discovery of commercially valuable minerals upon said property.

6. Issue prospecting permit to John A. d'Artenay, Coulterville, California, covering the E $\frac{1}{2}$ of NW $\frac{1}{4}$, NE $\frac{1}{4}$ of SW $\frac{1}{4}$ and NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of Section 36, T. 2 S., R. 16 E., M. D. M., Mariposa County, in accordance with law and rules and regulations of the Commission covering such procedure after ascertaining the royalty rate to which the Commission would issue a lease upon discovery of commercially valuable minerals upon said property.

7. Issue prospecting permit to P. G. Cain, Box 1182, Coalinga, covering the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 36, T. 18 S., R. 12 E., M. D. M., San Benito County, in accordance with law and rules and regulations of the Commission covering such procedure after ascertaining the royalty rate to which the Commission would issue a lease upon discovery of commercially valuable minerals upon said property.

8. Confirmation of execution of Certificate 18837 to the Governor requesting issuance of patent to A. P. Simpson, covering the E $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 20, T. 22 S., R. 14 E., M. D. M., Fresno County.

9. Confirmation of execution of Certificate No. 278 for refund to William E. Jamerson of \$78.50 upon surrender of indemnity certificate.

10. Directed dispatch upon behalf of Commission to Secretary of Interior to ascertain whether Government lands now subject to selection by indemnity certificate purchasers of the State of California would be withdrawn and general disposition by the U. S. Government of federal public lands in this state.

11. Payment to W. P. Rowe, Consulting Engineer for the Attorney General, in the matter of People of the State of California vs. City of Los Angeles, and Department of Water and Power, in the sum of \$612.86.

12. Correction of minutes of meeting held May 16, 1939, identified as Item No. 17 to read "E $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 20, T. 22 S., R. 14 E., M. D. M."

13. Cancellation of Owens Lake Leases Nos. 604, 335 and 661 on account of failure to pay rental after notice to respective lessees in accordance with terms of the respective leases.

14. Appointment of Chas. T. Leeds as Consulting Seacoast Engineer, compensation to be at the rate of \$50 per day for time employed.

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