

A meeting of the State Lands Commission was held in the office of the Director of Finance, State Capitol, Sacramento, April 4, 1940, at 11 A. M.

Present were:

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

The Executive Officer presented for confirmation minutes of the meeting of the State Lands Commission for February 9, 1940, and, upon motion of Mr. Riley, seconded by Mr. Richards, the minutes of the said meeting were confirmed and approved as submitted.

Upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, a resolution was adopted directing the Executive Officer to open bids for drilling wells into tidelands and submerged lands fronting the City of Huntington Beach, received pursuant to notice of the Commission dated February 19, 1940, whereupon, the Executive Officer, in the presence of the Commission, and publicly, opened said bids which were declared by the Commission to be as follows:

<u>Location</u>	<u>Name of Bidder</u>	<u>Amount Bid</u>
G	John H. Marion	.7356
G	Surf Associates, Inc.	1.05
H	" " "	1.05
J	" " "	1.305
J	F. E. Fairfield, et al.	1.126
L	Surf Associates, Inc.	1.305
L	Termo Company	1.400
L	Obert Egerer	1.01
N	Surf Associates, Inc.	1.305
N	Termo Company	1.325
N	Obert Egerer	1.06
P	Surf Associates, Inc.	1.305
P	Termo Company	1.325
P	Obert Egerer	1.11

The Executive Officer was instructed to have prepared an analysis of the bids received and report to the Commission at Sacramento Tuesday, April 9, 1940, at 10 A. M.

The Executive Officer recommended to the Commission that the bidders who may be awarded easements for the drilling of more than one well be permitted to drill the wells consecutively for the reasons that lack of space might not permit simultaneous operations and that greater economy would be achieved.

The Executive Officer further recommended that such successful bidders be required to use current marketable Huntington Beach oil of gravity equal to the nearest producing well to the area into which the new well would be drilled in the drilling of the wells, and, on account of the great cost to the operator on account of using such oil instead of mud, that each operator be given credit to the extent of the quantity of mud on hand at the time the well cements the water string, and from there to completion of the well, the value of the oil used less the cost of equivalent mud.

Upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, a resolution was adopted approving the foregoing recommendations of the Executive Officer.

The Executive Officer reported the drafting of a form of easement and form of notice for invitation of bids to extract gas from the State lands within the Rio Vista Gas Field. He also reported that the Calaveras Cement Company, a corporation, had filed applications for two easements over navigable sloughs in the vicinity of Rio Vista for the purpose of laying and maintaining a pipe line to transport gas from the Rio Vista Gas Field to cement plant of the applicant at San Andreas. It was explained to the Commission that the Calaveras Cement Company, or its parent company the Bishop Oil Company, does not own or control sufficient land in the Rio Vista Gas Field to take enough gas on the quota basis to operate the plant at San Andreas, and it was suggested that the Commission should give consideration to the issuance of the easements without insertion of a condition to require the use of the line for transporting of gas on a quota basis. The Chairman directed the Executive Officer to continue the application until a later meeting.

The Executive Officer reported to the Commission that the proposed compensatory agreement between the State and the Standard Oil Company of California covering interest of the State in the McDonald Gas Field is now ready for final consideration by the Commission. It was pointed out to the Commission that the royalty which is a net 12½% to the State, less severance taxes, if any, might be considered insufficient inasmuch as the agreement was negotiated after the field was proven, however, lands claimed by the State, the ownership to which is not admitted by the Standard Oil Company of California, or the landowners in the McDonald Gas Field, were formerly navigable sloughs and waterways, and many years ago were filled or partially filled in the aid of reclamation.

He also pointed out that it is now difficult in some instances to trace on the ground the former locations of such sloughs and waterways, and it is not improbable that the owners of adjacent lands have acquired title to the lands through adverse possession. For this reason and the great difficulty which the State would experience should it attempt to lease the lands for drilling on account of the narrowness of former sloughs and waterways, it was recommended to the Commission that authorization be given to execute the agreement upon behalf of the State of California.

After discussion, and upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, a resolution was adopted authorizing and directing the Executive Officer to execute the compensatory agreement upon behalf of the State of California, through the State Lands Commission.

Upon motion of Mr. Riley, seconded by Mr. Richards, 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. Substitution of Bolsa Chica Oil Corporation for The Petroleum Corporation, a corporation, as operator under Agreement for Easement No. 290, Huntington Beach;

2. Substitution of Mojave Petroleum Company for Comet Gold Mining Company, a corporation, as operator under Agreement for Easement No. 308, Huntington Beach;

3. Issuance of certificates to the Governor requesting issuance of patents:

18843 - Gladys Nielsen
18844 - Wannell Knapp
18845 - " "
18846 - Casse Diaz

The Executive Officer reported the receipt of \$500.00 from J. H. Jackson as the purchase price of 111.75 acres of State school lands in San Luis Obispo County. Thereupon, the Commission suspended the rules promulgated governing the sale of State school lands, authorized the acceptance of the money, and directed the Executive Officer to issue certificate to the Governor requesting execution of patent and delivery by the Executive Officer to Mr. Jackson.

The Executive Officer reported receipt of an affidavit from one Percy E. Ballou of Long Beach containing allegations to the effect that substantial quantities of oil were diverted from Ocean Front Oil Company Easement No. 289 at Huntington Beach without payment of State's royalty and that the Division of State Lands has since receipt of this affidavit obtained another supporting affidavit and statement. The Department of Finance has loaned the Division of State Lands two accountants who are

going through the records and books of others who may have purchased some of the diverted oil. In addition, the Division of State Lands has employed a number of laborers who have been excavating an alley adjacent to the lease for the purpose of determining the location of a pipe line which may have been used to divert the oil from the shipping tanks of Ocean Front Oil Company prior to gauging by the State.

Upon motion of Mr. Riley, seconded by Mr. Richards, and unanimously carried, a resolution was adopted confirming the acts heretofore taken by the Division of State Lands in this matter, and directing that the investigation proceed to determine whether or not oil has been diverted by the Ocean Front Oil Company without the payment of royalty to the State.

Applications from A. H. Newman and Chas. F. Hammond to lease the E $\frac{1}{2}$ of NW $\frac{1}{4}$ and W $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 22, T. 27 N., R. 17 E., M.D.M., in Lassen County, and the S $\frac{1}{2}$ of NW $\frac{1}{4}$, N $\frac{1}{2}$ of SW $\frac{1}{4}$ and NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of Section 16, T. 43 N., R. 7 W., M. D. M., in Siskiyou County, respectively, for grazing purposes, were considered by the Commission but no action was taken upon them. The Executive Officer was directed to confer with divisions in the Department of Natural Resources to determine whether or not such areas proposed to be leased are located in districts wherein wild animals are prevalent.

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