

In accordance with the notice heretofore given by the State Lands Commission of its intention to conduct a hearing upon applications of Calaveras Cement Company, a corporation, for gas pipe line crossings under certain navigable streams and sloughs of the State of California in the vicinity of Rio Vista, County of Contra Costa, State of California, the matter came on for a hearing before the State Lands Commission, at which time all members were present, at 11 o'clock A. M., October 22, 1940, in the State Capitol, Sacramento. The Commission heard from various persons in support of and against said applications. At the conclusion of the hearing, Mr. Riley moved the adoption of resolution as follows:

"I move that the matter be taken under advisement".

Said motion was seconded by Mr. Patterson, and upon vote being taken, the motion was unanimously carried.

A transcript of the proceedings before the State Lands Commission in this matter is contained in the files of the State Lands Commission, and reference is hereby made to said transcript.

Thereupon the State Lands Commission gave consideration to business of the State Lands Commission as follows:

The Executive Officer stated that minutes of the Commission of September 19 and 25, 1940, had been submitted to the Commission for consideration.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, resolution was adopted approving and confirming the minutes of the meetings of September 19 and 25, 1940.

The Executive Officer stated to the Commission that notice had been given of intention to cancel State Oil and Gas Lease No. 17 which cancellation became effective October 5, 1940, that, according to the reports furnished by J. H. Hume, Petroleum Production Inspector of the Commission at Santa Barbara, the lessee had moved lumber upon the State premises and had replaced several planks of the old pier upon the premises on or prior to October 5 and that it is his recommendation to the State Lands Commission that such steps of the lessee did not constitute a bonafide attempt to correct the defaults of which complaint was made by the Commission.

Roland Karr and E. L. Blanton, President, and Secretary and Treasurer, respectively, of Submarine Oil Company, Lessee, together with Mr. Davis, driller, appeared before the Commission and agreed substantially with the report made by the Executive Officer. Mr. Karr pointed out that he had expended a sum in excess of \$1,000 for the purchase of lumber, which lumber had been delivered on the premises prior to October 5 and produced an invoice of the Lumber Company to substantiate this position.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted whereby it was determined

that in the opinion of the Commission the Lessee had taken bonafide steps to correct the defaults of which complaint had been made, and that said lease was not cancelled as of October 5, 1940.

The Executive Officer reported to the Commission receipt of two envelopes containing bids for leases to extract manganese from portions of the W $\frac{1}{2}$ of Section 36, T. 4 S., R. 5 E., M. D. M., Stanislaus County. By resolution by unanimous vote of the members of the Commission, the Executive Officer was directed to open said bids. The Executive Officer proceeded to open bids which were found to be as follows:

One bid from Paul Kraft for the NE $\frac{1}{4}$ of SW $\frac{1}{4}$ at a royalty of five percent

One bid from Harold Tripp for the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ at a royalty of five percent

Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted authorizing and directing the Executive Officer to report amounts of royalties offered to the State in said bids to the State Mineralogist, and obtain from him his recommendation whether the royalty to the State so offered is a fair and just royalty to the State.

Thereupon a recess was taken until 10 o'clock A. M., of the date following.

The meeting recessed on the day preceeding was resumed in the office of the Department of Finance, State Capitol, Sacramento, October 23, 1940, at 10 o'clock A. M.

Present were:

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

Absent was:

None.

The Executive Officer presented a recommendation of the Petroleum Production Auditor of the Commission for construction of a resolution adopted by the Commission April 4, 1940, designed to allow credit to a grantee for the use of circulating oil instead of mud.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted approving the recommendation of the Petroleum Production Auditor as follows:

That such successful bidder 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 as a circulating medium in lieu of drilling mud for the purpose of

drilling of the well from the water string shut off point into the oil zone and to the completion of said well. That, because of the great cost to the operator for the use of oil in lieu of mud, the operator be allowed to take credit on royalty payments, payable to the State, from such new well, for the barrels of oil so used and which shall be valued by pricing at Standard Oil Company's currently posted price for oil of like gravity less an amount for the oil in lieu of drilling mud, determined by pricing an equal number of barrels at 65 cents per barrel and that the resolution of April 4, 1940, as herein construed be considered as operative only with respect to easements issued as of April 4, 1940.

The Executive Officer read a report of Dr. E. K. Soper, Consultant to the Commission, with reference to Agreements for Easements Nos. 406, 407 and 408, Huntington Beach, issued to Surf Associates, Inc. From this report it appeared that it would be inadvisable to direct Surf Associates to drill a well under Agreement for Easement No. 408 until such time as the Termo well now being drilled under Agreement for Easement No. 410 was completed in order that it could be known whether the proposed well of Surf Associates Inc. would be likely to produce from edgewater. The Commission informally directed the Executive Officer to withhold temporary carrying forth of order earlier given respecting easements issued to Surf Associates, Inc. until completion of said Termo well.

The Executive Officer presented an application of the Pacific Gas & Electric Company for an easement to dredge submerged lands of the Bay of Oleum, California, in front of a tunnel to be constructed by the applicant in order that seawater could be taken into power plant of the applicant. The Executive Officer stated that he had visited the site and had discussed consideration with Mr. E. P. McAuliffe, Appraiser of the Railroad Commission, and he had expressed the opinion that \$2500 would not be unreasonable for an easement to the applicant for a period of twenty-five years.

The Executive Officer was directed to obtain a letter from Mr. McAuliffe of the Railroad Commission and to present the matter again at the next meeting.

The Executive Officer recommended to the Commission that it request the Governor to execute a lease under Chapter 69, Statutes of 1929, as amended, to Bank of America, N.T. & S.A., a National Banking Association for submerged lands of the State of California, now occupied by applicant at Port Costa, Contra Costa County, containing 4.26 acres, for a period of 25 years at an annual rental of \$380.41. Upon motion of Mr. Patterson, seconded by Mr. Riley, a resolution was adopted authorizing and directing the Executive Officer to present such a lease to the Governor in the usual form with recommendation that the same be executed by him upon behalf of the State of California.

Upon report from the Executive Officer that the L. A. County Flood Control District had asked that no charge be made for the approval of its plans to construct groin No. 54, the Executive Officer was

directed to advise the District that the Commission under the law must make a charge representing actual cost to the Commission for the services rendered.

At the request of T. H. De Lapp, Esq., Attorney for the Crockett Stripped Bass Club, Inc., consideration of the application of the Club was continued.

The Executive Officer reported that T. L. Atherton, Engineer of the Commission, had completed survey of line of ordinary high water mark at Manhattan Beach and had forwarded such report to the Attorney General in accordance with direction of the Commission and that the total cost for the work was the sum of \$399.72.

The Commission was advised that Adrian McMahon, who made Application 22 for a long term lease under Chapter 69, Statutes of 1929, as amended in 1932, for certain submerged lands in Marin County and such a lease had not been issued, had again asked the Commission to give consideration to said application. The Executive Officer reported that a personal inspection had been made of the premises and it was not found that the applicant had made many developments upon the upland except the applicant had partially constructed a road upon the premises immediately adjoining a portion of the State lands. The Executive Officer recommended that no action be taken by the Commission upon the application at this time.

At an earlier meeting, L. G. Campbell, Deputy Attorney General, presented to the Commission his opinion of the location of certain oil wells along the Ocean at Venice, California. At that meeting the Commission stated that it would defer taking action until a subsequent meeting. At the instance of the Executive Officer it was explained that the Attorney General would be required to institute a suit to determine whether the State of California retained title to the tidelands and submerged lands fronting the City of Venice prior to its annexation to the City of Los Angeles and that if it should be established that the State is the owner of the such lands it would then be necessary to institute an action or actions to determine whether any of the wells drilled along and adjacent to the Ocean had been completed in such lands. Upon motion of Mr. Patterson, seconded by Mr. Riley, an unanimously carried, a resolution was adopted authorizing and directing the Attorney General to take whatever action deemed necessary to protect the interests of the State in the tidelands and submerged lands fronting that area formerly known as City of Venice.

The Executive Officer reported to the Commission that J. H. McKnight, lessee of State Mineral Lease No. 266, now owes the State annual rentals for the years 1938, 1939 and 1940, and though often requested to make payment, he had failed to do so; that the surety on the bond had advised the Executive Officer that it would be willing to pay the rental provided the lease were cancelled.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and

unanimously carried, a resolution was adopted authorizing and directing the Executive Officer to give notice of cancellation of State Mineral Lease No. 266 and to make demand upon the surety upon cancellation of said lease for unpaid rental.

The Executive Officer read a report of investigation made of application of E. R. Harrison to purchase the NE $\frac{1}{4}$ of NE $\frac{1}{4}$ of Section 16 T. 12 S, R. 4 E., S. B. M., San Diego County. From this report it appeared that the Assessor's office in San Diego County, values the land at approximately \$6 per acre and that August Grand, Deputy Sheriff and Constable at Julian, California expressed the opinion that the land was worth a minimum of \$8 per acre, and further that the land, because of its location in a mountainous area and covered with shrubbery was of no special value to the State especially since only a 40 acre tract remained of a full section.

Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, resolution was adopted authorizing and directing the Executive Officer to sell said land to R. E. Harrison or the highest bidder in accordance with rules and regulations of the Commission applying to such sales and at a minimum of \$8 per acre.

The report of F. J. Hortig, Petroleum Production Inspector of the Commission, was presented by the Executive Officer with reference to State Mineral Lease No. 207 issued to Mt. Whitney Talc Company, a corporation. From this report it appears that a tunnel has been constructed through the State premises and into adjacent fee property and that mineral is mined from both properties and removed through this tunnel which could result in difficulty in determining from which property the mineral is being taken.

Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, the Executive Officer was directed to advise this lessee that it should close the tunnel insofar as it now extends into adjacent fee property, or, in the alternative, to surrender the lease.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, resolution was adopted confirming the appointment of C. L. Moore as gauger effective October 22, 1940.

Recommendation was made by the Executive Officer that Mrs. Geneva Harvey, Senior Stenographer-Clerk be given a promotional examination to the position of Supervising Stenographer-Clerk, Grade I, and that F. J. Hortig be given promotional examination from Petroleum Production Inspector to Supervising Petroleum Production Inspector, both subject to the rules and regulations of the State Personnel Board.

Mr. Killion suggested that these examinations be deferred until further progress is made in study of organization by the Division of Budgets and Accounts.

The Executive Officer reported that he had been advised by Deputy Attorney General Rhone that it appeared that the attorneys representing C. B. Sturzenacker and A. H. Alexander in their action to review proceedings of the State Personnel Board dismissing them from their offices would be interested in settlement of their claims. No action was taken by the Commission.

Letter was read from the State Controller in which he advised that the sum of \$55,000 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 unanimously carried, a resolution was adopted directing the transfer from the State Lands Act Fund in accordance with suggestion of the State Controller.

Mr. Ed Pauley, President of the Petrol Corporation, appeared before the Commission to recommend reinstatement of Agreement for Easement No. 323, Huntington Beach. Mr. Pauley stated that it was the present intention to clean out the hole at an approximate cost of \$15,000 and endeavor to restore the well to production.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, resolution was adopted authorizing and directing the Executive Officer to reinstate said easement as of the date of notice of cancellation heretofore given upon behalf of the Commission.

The Executive Officer advised the Commission that a legal controversy now exists between the Ord Land Company, a corporation, and the City of Seal Beach, concerning property of the former adjacent to the Ocean at Seal Beach, and that groin constructed some years ago by Seal Beach with State permission, has apparently caused considerable damage to State lands and privately owned lands easterly of said groin, whereas on the westerly side, large acreage of sand has been built up. Due to the desirability of establishment of the line of ordinary high water mark in this locality, the Executive Officer recommended to the Commission that Col. Chas. T. Leeds be made available to the parties and the State for the purpose of unofficial location of the line of ordinary high water mark; and that the expense of Col. Leeds on account of salary and traveling be paid jointly by the Ord Land Company, a corporation, and the City of Seal Beach.

Upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted authorizing Col. Chas. T. Leeds to act as arbitrator for the unofficial establishment of line of ordinary high water mark upon condition that the two parties, Ord Land Company, a corporation, and the City of Seal Beach, undertake to compensate Col. Leeds for his services, and that the State, through the engineer of the State Lands Commission, present engineering evidence to Col. Leeds in support of the position of the State of California.

The Commission directed the Executive Officer to ascertain whether Calaveras Cement Company, a corporation, Amerada Petroleum Company, a corporation, and Standard Oil Company of California, a corporation, desire copies of the transcript of hearings before the State Lands Commission October 22 in re application of Calaveras Cement Company for pipe line crossings, and if so, to order four copies, one for each of the above named and one for the State Lands Commission.

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