

A meeting of the State Lands Commission was held in Room 302 State Building, Los Angeles, April 30, 1942, at 10 o'clock A. M.

Present

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

Absent

None.

Minutes of the meetings of the Commission held in Sacramento on March 19, 1942, and in Los Angeles on March 26, 1942, were, upon motion of Mr. Patterson, seconded by Mr. Riley, unanimously approved and confirmed as submitted.

Mr. Walter W. Bradley and Kenneth Fulton appeared before the Commission and requested that it reconsider its former action relating to the contract with the Division of Mines covering the services of Mr. C. A. Logan. After considering the facts presented by these gentlemen, the Commission, upon motion duly made and carried, resolved that a contract covering the services of Mr. C. A. Logan and an assistant should be entered into; that such contract should cover the period from April 4, 1942, to June 30, 1943, inclusive; and that sufficient funds to cover such contract are hereby appropriated.

Upon motion duly made and carried, the Commission authorized the execution of easements for 15 years in favor of the Pacific Gas and Electric Company for pipe line crossings over State lands in the vicinity of the Sacramento and San Joaquin Rivers, and further authorized the Executive Officer to fix the rental rate for such easements.

On motion of Mr. Riley, seconded by Mr. Patterson, a resolution was unanimously adopted, approving the form and terms of, and authorizing the execution of a compensatory agreement dated April 30, 1942, between the State and the Pacific Lighting Corporation relating to the Goleta Gas Field in Santa Barbara County. The Commission further resolved that, for the purposes of said agreement, the ordinary high water mark was established by arbitration in the position delineated on the plat attached to the agreement as Exhibit "A".

After considering the report of Dr. E. K. Seper relating to the probable eastward extension of the Huntington Beach tideland pool, the Commission unanimously resolved that, if possible, permission to drill the property included in the report be obtained from the office of the Petroleum Coordinator; that if such approval were forthcoming, the lands should be advertised for drilling in accordance with the appropriate provisions of Division 6 of the Public Resources Code.

Upon motion of Mr. Patterson, seconded by Mr. Riley, a resolution was adopted approving the allotment to State's land under Agreement for Easement No. 415, Rio Vista, as follows:

18th revision - 10.613%

said approval being subject to a check of the acreage.

After a thorough discussion of the expense and difficulties involved, it was duly resolved that, for the time being, no attempt should be made to remove the cement ship at Seacliff State Park.

Discussion was had concerning the erosion taking place at Huntington Beach and the fact that the Standard Oil Company had requested the State to participate in the expense of reinforcing the shore line to prevent further damage. It was determined that, inasmuch as the property involved is landward of the ordinary high water mark, the Commission is apparently without legal authority to expend funds for the purpose requested. A resolution to that effect was adopted. It was, however, the consensus of the members that, due to the possible effect that the continued erosion may have on the State highway, the matter should be referred to the Director of Public Works.

Pursuant to the notice authorized by the Commission on March 26, 1942, the following mineral bids were received and opened:

Bressi and Bevanda Constructors, Inc.
and A. Teichert & Son, Inc., for the

$S\frac{1}{2}$ of $SW\frac{1}{4}$ of
Section 16, T. 28 N.,
R. 17 E., M. D. B. & M.,
one cent per net ton of
sand and/or gravel

Bressi and Bevanda Constructors, Inc.
and A. Teichert & Son, Inc., for the

$NE\frac{1}{4}$ of $NW\frac{1}{4}$ and the
 $NW\frac{1}{4}$ of the $NE\frac{1}{4}$ of
Section 27, T. 26 N.,
R. 16 E., M. D. B. & M.,
one cent per net ton of
sand and/or gravel

Bressi and Bevanda Constructors, Inc.
and A. Teichert & Son, Inc., for the

$N\frac{1}{2}$ of $SW\frac{1}{4}$ of
Section 16, T. 28 N.,
R. 17 E., M. D. B. & M.,
one cent per net ton of
sand and/or gravel

After the Commission had ascertained the amounts bid, it adopted a resolution to the effect that no action should be taken toward awarding the bids until the reasonableness thereof could be established by further investigation.

A bid offering 10% royalty and submitted by T. Mart Regan, Marion Krekler and Eilleen M. Regan, for the extraction of fluorspar, feldspar, silica, alumina and other non-metallic minerals, was opened. As no other bids were received and the State Mineralogist had indicated that the royalty offered was reasonable, the Commission, upon motion of Mr. Patterson, seconded by Mr. Riley, and carried, awarded a mineral lease on the basis of the royalty offered, to Mr. Regan, et al.

After a review of the list of base lands submitted to the General Land Office for the exchange of 43,287.62 acres and necessary elimination of certain duplicate descriptions which resulted in the requirement of the General Land Office for the listing of approximately 30 acres of additional base lands, it was resolved that the NE $\frac{1}{4}$ of NE $\frac{1}{4}$ of Section 36, T. 19 S., R. 3 E., M. D. M., containing 40 acres; appraised heretofore by the U. S. Forest Service at less than \$1.00 per acre, be submitted as the required additional area.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and carried, a resolution was adopted approving the assignment of Fish Canyon Lease No. 687 from William B. Decker to Fran Racine.

After considering the application of the James Irrigation District to purchase the property described as Lot 5 of Section 1, T. 16 S., R. 16 E., M. D. M., together with the appraisal of said property furnished by the San Joaquin Abstract & Title Company, the Commission, upon motion of Mr. Riley, seconded by Mr. Patterson, and unanimously carried, resolved that said property should be sold to the applicant for the sum of \$10.00 per acre, and that the appraisal fee of \$10.00 incurred in connection with the matter should be paid and included in a deficiency appropriation.

Upon motion of Mr. Riley, seconded by Mr. Patterson, a resolution was adopted consenting to the assignment of Mineral Leases Nos. 430 and 431 from Samuel H. Dolbear and Lawrence B. Wright to Messrs. McLaughlin & Applegarth.

Upon motion duly made and carried, it was resolved that the United States should be requested to issue patents to the State covering Section 36, T. 25 N., R. 1 E., S. B. M., and Sections 16 and 36, T. 25 N., R. 1 E., S. B. M., and that Section 36, T. 25 N., R. 1 E., S. B. M., be classified by the Commission as commercially valuable for mineral pursuant to Sections 6201, 6210.2 and 6891 of Division 6 of the Public Resources Code.

The Commission, upon motion of Mr. Patterson, seconded by Mr. Riley, and carried, allocated the sum of \$12,000.00 (in addition to the \$3,575.00 heretofore authorized) for the prosecution of the Owens Lake case against the City of Los Angeles. It was further resolved that said amount should be included in a deficiency appropriation.

Upon motion of Mr. Patterson, seconded by Mr. Riley, a resolution was adopted approving the allocation of the sum of \$10,907.39 to cover a deficiency appropriation for the several items heretofore approved by the Commission as well as additional items as follows:

Burroughs Adding Machine Co. for service at Sacramento -	\$ 19.86
Edwin Freeman for appraisal at Contra Costa County -	150.72
Higher rent of quarters at Los Angeles -	1,395.00

Upon motion of Mr. Riley, seconded by Mr. Patterson, a resolution was adopted approving the execution of an additional contract in the sum of \$900.00 with the Division of Water Resources in connection with the report it prepared for use in the case of State vs. City of Los Angeles.

The matter of indexing the proprietary land records of the Commission was given further consideration. Upon motion duly made and carried, the sum of \$50,000.00 was appropriated to cover the cost of installing the necessary equipment under a system to be decided upon. The additional sum of \$9,000.00, plus \$2.50 for each description furnished, was also appropriated, this latter sum to be expended if necessary to obtain through the services of a title company, descriptions of proprietary lands in the various counties of the State. Decision as to which system would be installed was deferred.

A letter was read from the State Controller in which he stated that the sum of \$60,000.00 should be transferred from the State Lands Act Fund to the General Fund and State Park Maintenance and Acquisition Fund in percents of 30 and 70, respectively.

Upon motion of Mr. Patterson, seconded by Mr. Riley, and unanimously carried, a resolution was adopted directing the transfer from the State Lands Act Fund in accordance with the suggestion of the State Controller.

Upon motion duly made and carried, a resolution was adopted approving the bond form prepared in connection with applications for redrilling wells on State tidelands at Huntington Beach.

The application of Rule 530 of Regulation C pertaining to the diligence of operation of oil wells as it relates to State wells in general and the wells of the Southwest Exploration Company, Agreement for Easement No. 392, in particular, was considered together with the fact that the Southwest had during the months of January, February and March failed to produce its allowable as fixed by the office of the Petroleum Coordinator. It was the concensus of the members that a rule requiring that all oil wells be produced to capacity was not in the public interest and that the rule should be amended to provide for the production of State wells in accordance with good engineering and conservation practice. Upon motion of Mr. Patterson, seconded by Mr. Riley, and carried, it was resolved that the failure of any operator to comply with the provisions of Rule 530 be waived and that pending the amendment of said rule it should remain inoperative.

Upon motion of Mr. Riley, seconded by Mr. Patterson, a resolution was adopted approving action concerning grazing leases as follows:

No. 1010 - John Magoldi - Lease authorized by Commission February 25, 1942, lease forwarded to applicant March 4th and not returned within 15 days (not in after 27 days). Recommend Commission rescind authorization and require new application and advertising.

No. 1012 - George L. Weston - application received 3/13/42 for 5 years - lease on Section 36, T. 28 N., R. 9 W., M. D. M., at five cents per acre per year - advertised 3/16/42. No other applicants. Recommend land be leased to George L. Weston. This is a lease for land not leased recently.

No. 1013 - Raymond Bisconer - application received 4/1/42 for 5 year lease on NE $\frac{1}{4}$ and NE $\frac{1}{4}$ of SE $\frac{1}{4}$ of Section 36, T. 16 S., R. 28 E., M.D.M., (200 acres) at five cent per acre per year. Advertised 4/2/42. No other applicants. Recommend land be leased to Raymond Bisconer. This is a lease for land not leased recently.

Upon motion of Mr. Riley, seconded by Mr. Patterson, resolutions were adopted approving issuance of ark site leases at Corte Madera as follows:

Mrs. Helen T. Wasserman
Mrs. Sam M. Hawkins
Loretta M. Schmidt
Arthur T. Wing
Arden W. and Alberta F. Henry
Thurman G. and Bertha C. Johnston
Louis J. Diebel

The form of agreement to lease the "Granger's Warehouse" property submitted by the Bank of America, was considered. After some discussion, on motion duly made and carried, the matter was deferred until the next meeting of the Commission and instructions issued that the Attorney for the applicant be invited to appear at that time.

The report of the Division of Audits of its audit of the State Lands Commission for the period from November 1, 1934, to June 30, 1940, together with memoranda of the Commission's staff, was considered. The Commission noted the fact that the audit raised a number of questions as to the legality of various transactions particularly in reference to oil and gas matters arising out of the Elwood and Huntington Beach Oil Fields. On motion of Mr. Riley, seconded by Mr. Patterson, a resolution was adopted to the effect that said audit report should be referred to the Attorney General for such action as he deems advisable and for his opinion as to the merit of the various questions raised. The questions contained in the audit relating to accounting procedure were deferred pending further consideration by the Commission.

Upon motion duly made and carried, a resolution was adopted approving an increase in salary of Robert J. Nadey, Junior Petroleum Engineering Aid, from \$120 to \$150 per month effective May 1, 1942, and that the salary range for Secretary, State Lands Commission, which had been set at \$200 to \$260 be placed at \$190 to \$245.

Upon motion duly made and carried, a resolution was adopted declining to approve the request of Fidelity and Deposit Company of Maryland to the effect that Mineral Leases Nos. 396 and 397 be not cancelled at the present time.

Upon motion duly made and carried, a resolution was adopted extending to May 6, 1942, the period in which the acreage tabulation relating to certain new development at Rio Vista might be completed.

Upon being informed that the Principal Attorney for the office of the Petroleum Coordinator had indicated that the request for permission to proceed with construction of the Office Building at Huntington Beach would probably be refused, the Commission issued instructions that regardless of such information an application to proceed should be filed with the War Production Board.

Upon motion duly made and carried, a resolution was adopted approving a request to the Personnel Board to reclassify the position of Oil Gauger.

The Commission was informed that an attempt was being made to obtain additional income for the gas and gasoline obtained from State leases at Huntington Beach; that the method under consideration was an amendment to the several easement agreements which would provide for an accounting of such production on the following basis:

1. That from and after January 1, 1942, the Grantee shall pay to the State a royalty of one-fifth ($1/5$) of ninety percent (90%) of the gross proceeds derived from the dry gas produced and sold provided, however, that in no event shall such royalty be computed on a basis of less than 5 cents per M.C.F.

2. That from and after January 1, 1942, the Grantee shall pay to the State a royalty of one-fifth ($1/5$) of sixty percent (60%) of the gross proceeds derived from the gasoline and liquefied petroleum products produced. Such gross proceeds shall be determined by the publicly posted or published price schedule at the date of production for products of like quality as posted by the Standard Oil Company of California for the Huntington Beach Oil Field, or in the absence of a posted or published price schedule the gross proceeds of the gasoline and liquefied petroleum products shall be determined on the basis of the reasonable market price as fixed by the State Lands Commission.

3. In case dry gas is produced and delivered to any lease, easement or property not included in Agreement for Easement No. _____, a royalty of one-fifth ($1/5$) of the gross value of the gas so delivered, computed on the basis of $7\frac{1}{2}$ cents per M.C.F. shall be paid.

4. That the State may at its option take in kind its share of the dry gas and/or casinghead gasoline and/or liquefied petroleum products. Delivery of any such product to be made at the well head, manufacturing plant, or such other place as may be mutually agreed upon.

5. That, except as herein specifically provided, the terms, covenants and conditions set forth in Agreement for Easement No. _____ shall remain unchanged and in full force and effect.

After considering the benefits to be derived from such a program, a resolution was adopted approving the program and the form of the proposed agreement.

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