

A meeting of the State Lands Commission was held in Room 306 State Capitol, Sacramento, April 29, 1943, at 3 P. M.

Present

John F. Hassler, Chairman
Frederick F. Houser, Member
Harry B. Riley, Member

Absent

None.

1. Minutes of the meetings of the Commission held in Sacramento on March 15, 1943, and March 23, 1943, were upon motion of Mr. Riley, seconded by Mr. Houser, unanimously approved and confirmed as submitted.

2. The Office of Price Administration on March 26, 1943, allowed an increase in the maximum price of residual fuel oils of 25 cents per barrel, which prices were reflected by the Standard Oil Company's published postings effective April 1, 1943. At Rio Vista and McDonald Island the sale of the State's share of gas produced is sold under contract and the price of the contract is predicated on the Standard Oil Company price of residual fuel oils. Under the original OPA order therefore, the price the State received for gas would normally be increased; however, on April 1, 1943, the OPA issued an amendment to their March 26 order stating that the increases in fuel oil prices "cannot be used as the basis for an increase in the price of dry gas in the same area". In other words, the State cannot receive an increase in the price of gas under the OPA amended ruling. After discussion the Commission directed the Executive Officer to obtain a general opinion as to the application of OPA rules to State business and a specific opinion as to the validity of the OPA price regulation with respect to Rio Vista and McDonald Island.

3. The Commission was informed that there are no rules presently within the rules and regulations adopted by the last Commission pursuant to Division 6 of the Public Resources Code regulating the drilling of wells through partially depleted oil zones. Upon motion duly made and carried, a resolution was adopted whereby Rule 501, 502 and 503 of Regulation C, were adopted as follows and a copy thereof ordered filed with the Secretary of State.

RULE 501. DRILLING OPERATIONS OF WELLS.

No operator shall drill an oil or gas well on State lands except on prior approval of the Commission and subject to the terms of the enabling statute and lease or easement agreement and then only provided that any well so drilled shall within any oil zone be 50 feet away from the blanked off portions of any well not within control of drilling operator and at least 200 feet away from the perforated section of any well not within the control of drilling operator.

RULE 502. PERFORATIONS, PLUG BACKS AND RE-PERFORATIONS OF EXISTING WELLS.

The operator of any well to be perforated or plugged back and re-perforated within 200 feet of any well not within the control of the drilling operator shall file with the Commission

(a) Either written consent from the operators of each well within said 200 feet, waiving any objection to the proposed plug back and re-perforating operations, or

(b) For each well within 200 feet of any well or wells a corporate surety bond in an amount to be fixed by the Commission but in no instance less than \$10,000 for each application indemnifying the State against any loss, damage, claim, demand or action, caused by or connected with the plug back, perforation or re-perforation operations.

RULE 503. DRILLING FLUID REQUIREMENTS.

All drilling, re-drilling, perforating, or re-perforation operations within any oil zones shall be done with crude oil of the quality of the oil in the formation being drilled or at the option of the operator may be done with mud provided there is no appreciable loss of circulating fluid. Should circulation be lost, the operator shall immediately change to oil of the quality of the oil in the formation being drilled.

4. Upon motion by Mr. Riley, seconded by Mr. Houser, and unanimously carried a resolution was adopted approving the application of Termo Oil Company to plug back and perforate Well No. 5 on Easement No. 272 to the Jones sand, subject to rules and regulations of the Commission.
5. Upon motion duly made, seconded, and unanimously carried, a resolution was adopted approving the 31st and 32nd revisions. These revisions were previously approved on May 23, 1943, but due to additional technical information they have now been changed in order to reflect the State's interest in the allocation of gas production in the Rio Vista Field, to percentages of 10.030 and 9.991, respectively.
6. Upon motion duly made, seconded, and unanimously carried, a resolution was adopted instructing the Executive Officer to secure an opinion from the Attorney General with reference to whether the State Lands Commission is empowered to advertise for bids and lease tide and submerged lands for oil and gas development where there is no drainage at present from upland wells.
7. Upon motion duly made and carried, resolutions were adopted as follows:
 - (a) Rescinded approval heretofore granted for the issuance of Lease No. 70 to Robert D. Huffaker;
 - (b) Confirmed action of the Executive Officer in his refusal to file application No. 83 for leasing of land to Robert D. Huffaker;
 - (c) Rescinded approval of the assignment of Russell B. Travis, Lease No. 7, to Robert D. Huffaker.
8. Upon motion duly made and carried, the State Lands Commission adopted a resolution approving the termination of Grazing Lease No. 766 issued to Mrs. S. T. Eldridge in accordance with her request, such termination to be