

Mr. Tom Moroney of the Honolulu Oil Corporation, representing Mr. A. C. Mattei, Chairman of the Public Lands Committee of the Western Oil and Gas Association, submitted a mimeographed statement on behalf of the Association, giving a record of the actions of the Public Lands Committee up to the present time, and asked that a meeting be held prior to the Senate Interim Committee meeting scheduled for January 15, 1954, for further discussion. The mimeographed statement has been made a part of the records of the State Lands Commission, under Work Order 1473.

Action on this item was deferred. It was decided, however, that a public hearing should be held, probably the latter part of December, at which time the industry would have an opportunity to be heard.

33. (OPERATING STIPULATION, OIL AND GAS LEASES ON COASTAL TIDE AND SUBMERGED LANDS, U. S. DEPARTMENT OF JUSTICE - W.O. 721.)

A form of Stipulation, covering operations under State oil and gas leases on coastal tide and submerged lands, developed in conferences between the United States Department of Justice and the Attorney General of California, has been submitted to the State Lands Commission for concurrence.

Adoption of the subject Stipulation is considered desirable to assure operations on existing oil and gas leases in coastal tide and submerged lands under State management. The form of Stipulation offered for concurrence would effectively continue all provisions of the Operating Stipulation in effect heretofore, which expired October 1, 1953, with the exceptions that full lease management would now be in the State and there would be no reserved rights in any Federal agency as to new lease issuances or similar matters. New leases are to be issued pursuant to State law. Royalty collections on or after January 1, 1953, would be impounded in a trust fund with the State Treasurer. Prior collections would remain impounded as provided in the Stipulations heretofore in effect.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED AS FOLLOWS:

The Commission concurs with the execution of a Stipulation by the Attorney General, substantially in the form which follows, relating to oil and gas operations on coastal tide and submerged lands to be effective October 1, 1953.

IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1953

No. 6, Original

UNITED STATES OF AMERICA, Plaintiff)
v.) Original
STATE OF CALIFORNIA)

S T I P U L A T I O N

WHEREAS, on July 26, 1947, the parties to this cause, through their respective counsel, entered into a Stipulation which provided for the continuation of all operations within or upon tide and submerged lands lying along the coast of California and other matters; and

WHEREAS, the Stipulation entered into by the parties to this cause on July 26, 1947 was extended by virtue of Stipulations entered into July 28, 1948 and August 2, 1949, and was extended and revised by virtue of Stipulations entered into August 21, 1950, September 24, 1951 and August 12, 1952; and

WHEREAS, it is provided in the Stipulation of August 12, 1952 that the parties shall meet within thirty days after July 31, 1953, to consider the Stipulation of July 26, 1947, as therein extended and revised, and the effect thereon of any further proceedings or determinations in this cause, and to determine whether the said Stipulation as extended and revised, or a revision thereof, should be continued for a further period; and

WHEREAS, the parties, through their respective counsel, have met for the purposes contemplated by said Stipulation of August 12, 1952 and, having taken into account the passage of the Submerged Lands Act (P. L. No. 31, c. 65, 83d Cong., 1st Sess.) and the fact that the constitutionality of that Act has been challenged, the parties are of the opinion that the mutual interest of the parties and of the general public will best be served by a continuation of the Stipulation of July 26, 1947, as extended and revised, for a further period, provided that it is further revised to read as hereafter set forth:

NOW, THEREFORE, IT IS STIPULATED AND AGREED by the parties thereto and respective counsel that:

1. All operations within or upon the "lands beneath navigable waters", as defined in Section 2 of the Submerged Lands Act, lying along the coast of California, carried on under the terms of any lease issued by the State of California prior to June 23, 1947, or subsequent to May 22, 1953, or issued with the approval of the Secretary of the Interior between June 23, 1947, and May 22, 1953, and now in force may continue without interruption.

2. The State of California may, to the extent permissible under state law, upon the basis of competitive bidding, issue oil and gas leases of "lands beneath navigable waters", as defined in Section 2 of the Submerged Lands Act, along the coast of California, provided that the royalty payable to the lessor shall in no case be less than 12 1/2 per cent. The State of California may also require any of its lessees of such lands to drill new wells or approve the drilling in accordance with their leases and pursuant to state law. The State of California may also extend or renew, to the extent permissible under state law, any presently existing leases of such lands heretofore made and now in effect. The Secretary of the Interior shall have the right to examine and inspect the areas covered by, all operations under, and all well and other records pertaining to any lease subject to, this Stipulation.

3. The State of California agrees to segregate and hold in a special fund all rentals, royalties, and other payments received on or after January 1, 1953 under leases of "lands beneath navigable waters" as defined in Section 2 of the Submerged Lands Act, along the coast of California, except such funds not to exceed \$180,000 per annum as the State Lands Commission of California may expend to defray its expenses in administering the law regarding operations under such leases. The State of California also agrees to continue to

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segregate and hold in said fund all the rentals, royalties, and other payments received under such leases in the period between June 23, 1947 and September 30, 1950, inclusive, less such sums as have been spent by the State Lands Commission of California to defray expenses as heretofore permitted by Stipulation. The State of California may invest and reinvest any such moneys in obligations of the United States Government, and all interest received as well as any increase or decrease in the value of the investments shall accrue to the party finally determined to be entitled to the funds. The Secretary of the Interior may examine the books and records of the State of California as to all of these funds.

4. The United States agrees to continue to segregate and to hold in a special fund the payments heretofore paid to the United States by the State of California under the provisions of paragraph 4 of the Stipulation of August 21, 1950 as extended and revised by later stipulations, which funds cover the period October 1, 1950 through December 31, 1952, except such funds as the Secretary of the Interior may have expended to reimburse the Geological Survey or other agencies of the Department of the Interior for their expenses pursuant to stipulation and except that the Secretary of the Interior may use not to exceed \$50,000 per annum of such funds to reimburse the Geological Survey and other agencies of the Department of the Interior for their expenses under this Stipulation. The United States may invest and reinvest any of the funds covered by this paragraph in obligations of the United States Government, and all interest received, as well as any increase or decrease in the value of the investments, shall accrue to the party finally determined to be entitled to the funds.

5. Whenever it shall be determined, by agreement of the parties or by final court order, which of the parties is entitled to the money and obligations held in the special funds herein provided for, this stipulation shall terminate and said moneys and obligations, including all income therefrom, less stipulated deductions for administrative expenses, shall be paid to, or released to the absolute control of, the party entitled thereto under the terms of such agreement or court order.

6. This Stipulation is designed to regulate and protect the interests of the United States and of the State of California pending further proceedings in this case. Nothing herein shall be deemed to waive or abridge any right or claim which the United States now has or may hereafter have against any lessee or grantee of the State of California; provided, however, to insure the continued production of oil and gas, plaintiff agrees that as to all operations conducted pursuant to stipulation after June 23, 1947, under existing or new leases, and during the continuance of this Stipulation, the extent of recovery against said lessees, if there be any right of recovery against them, "shall be the value of oil or gas at the time of extraction, without interest, after deducting all costs of development, operation and production, which costs shall include taxes and interest on all expenditures from the date thereof". (Section 349 3/4, California Code of Civil Procedure). It is understood that "costs" as referred to in the foregoing sentence shall be deemed to include such necessary and reasonable expenditures as are recognized by the industry in the areas involved, as well as rents and royalties referred to in paragraph 4 hereof and overriding royalties paid pursuant to

obligations created prior to June 23, 1947. And plaintiff further agrees that any purchaser for value of oil or gas products purchased after June 23, 1947 from any of said lessees shall be entitled to resell or otherwise deal with such products on the same basis as products derived from undisputed lands not the subject of this litigation.

7. The word "lease" as used herein shall be regarded as including any easement, franchise, license or permit under which the State of California receives rentals or royalties in return for mineral rights granted by the State in tide and submerged lands lying along the coast of California. Nothing herein shall be deemed a waiver by the State of California of any right or equity held by it against a lessee.

8. This Stipulation shall continue in effect until October 1, 1954, and thereafter until it is terminated on thirty days' notice by either of the parties hereto, unless it is sooner terminated in accordance with paragraph 5 hereof.

ATTORNEY GENERAL OF THE UNITED STATES

I CONCUR:

ATTORNEY GENERAL OF CALIFORNIA

SECRETARY OF THE
INTERIOR of the United States

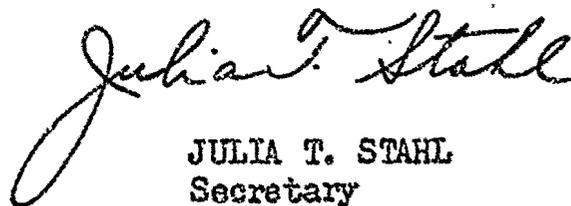
DATED this _____ day of _____, 1953

34. (ELECTION OF NEW CHAIRMAN OF STATE LANDS COMMISSION - GEN. DATA, ADM.)
Mr. James S. Dean, Director of Finance and present Chairman of the State Lands Commission, informed the Commission that due to his health he is resigning from State service, effective October 31, 1953. Mr. John M. Peirce has been appointed by the Governor to succeed Mr. Dean as Director of Finance, but has indicated that, for the time being at least, he would prefer not to serve as Chairman of the State Lands Commission.

UPON MOTION DULY MADE AND CARRIED, IT WAS RESOLVED AS FOLLOWS:

Mr. Robert C. Kirkwood, State Controller, is elected Chairman of the State Lands Commission, effective at the conclusion of this meeting.

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


JULIA T. STAHL
Secretary