

SECTION 1. This act shall be known and may be cited as the "State Lands Act of 1938."

Short title
General provisions and definitions

Article 1. General Provisions and Definitions.

SEC. 3. Unless the context otherwise requires, the general provisions and definitions hereinafter set forth shall govern the construction of this act.

SEC 4. The present tense includes the past and future tenses; and the future, the present.

The masculine gender includes the feminine and neuter.

The singular number includes the plural, and the plural the singular.

SEC. 5. "City" includes "city and county."

"Shall" is mandatory and "may" is permissive, but whenever permissive authority or discretion is vested in any public officer or body under this act. such authority or discretion is subject to the condition that it be exercised in the best interests of the State.

2A-56800

“Commission” means the State Lands Commission created by this act.

“Oil and gas” includes oil, gas and all other hydrocarbon substances.

“Minerals” includes all substances other than oil, gas and other hydrocarbon substances.

Article 2. The State Lands Commission.

State Lands
Commission

Powers and
duties suc-
ceeded to

SEC. 11. There is hereby created in the Department of Finance a State Lands Commission to consist of the State Controller, the Lieutenant Governor, and the Director of Finance. The commission shall succeed to and is hereby vested with all the powers, duties, purposes, responsibilities and jurisdiction of the Department of Finance as successor to the Surveyor General, Register of the State Land Office, and State Land Office, under section 690 of the Political Code, and of the Division of State Lands in the Department of Finance. Whenever, by the provisions of any statute or law now in force or that may be hereafter enacted, a duty or jurisdiction is imposed or authority conferred upon the Surveyor General, Register of the State Land Office, or State Land Office, or upon the Department of Finance as successor thereto, or upon the Chief of the Division of State Lands, or the Division of State Lands, such duty, jurisdiction, and authority are hereby transferred to, imposed and conferred upon the commission hereby created and the appropriate officers and employees thereof with the same force and effect as though the title of the State Lands Commission had been specifically set forth and named therein in lieu of the Surveyor General, Register of the State Land Office, State Land Office, Department of Finance, Chief of the Division of State Lands, or Division of State Lands, as the case may be.

Laws
continued
in force.

The statutes and laws pertaining to matters formerly under the jurisdiction of the Surveyor General, Register of the State Land Office, State Land Office, the Department of Finance as successor thereto, the Chief of the Division of State Lands, and the Division of State Lands, and all laws prescribing their duties, powers, purposes, responsibilities, and jurisdiction, together with all lawful rules and regulations established thereunder, are hereby expressly continued in force except as herein repealed or amended.

Property,
etc.

The commission shall be in possession and control of all records, books, papers, offices, equipment, supplies, lands or other property, real or personal, now or hereafter held for the benefit or use of the Department of Finance, as successor to the Surveyor General, Register of the State Land Office, and State Land Office, and of the Chief of the Division of State Lands and the Division of State Lands.

Administra-
tion of act.

SEC. 12. The commission shall administer this act and all laws and statutes committed to it by this act through the Division of State Lands of the Department of Finance, which

division is hereby continued in existence. The commission is hereby vested with all the powers conferred upon heads of departments of the State contained in sections 352, 353 and 356 of the Political Code.

The commission may appoint and, with the approval of the Director of Finance, may fix the salaries of such officers and employees in the Division of State Lands as may be necessary for the conduct of the work of the commission.

Officers and employees

SEC. 13. The commission shall meet, upon due notice to all members thereof, at such times and places within the State as are deemed necessary by it for the proper transaction of the business committed to it.

Meetings

SEC. 14. The commission shall adopt rules governing the conduct of the business of the commission, and no action of the commission shall be valid unless authorized by resolution adopted at a meeting after due notice thereof and by at least two of the members of the commission present.

Conduct of business.

SEC. 15. The commission is hereby empowered to authorize any of its employees or officers to execute any instrument in the name of the State of California, pursuant to resolution adopted by the commission.

Execution of instruments by officers and employees

SEC. 16. Whenever the commission, pursuant to the authority herein granted, enters into any agreement for the compromise or settlement of claims, such agreement shall be submitted to the Governor, and if approved by him shall thereupon, but not before, be binding upon the State and the other party thereto.

Compromise or settlement of claims: When binding.

SEC. 17. The commission may from time to time classify any or all State land for its different possible uses, and, when it is deemed advisable, may require the Department of Natural Resources, the Director of Agriculture, or any other officer, organization, agency or institution of the State government to make such classification. It is hereby expressly made the duty of any such officer, organization, agency, or institution to make such classification and to render a report thereon upon the application of the commission.

Classification of State lands.

SEC. 18. The commission may make and enforce all reasonable and proper rules and regulations consistent herewith for the purpose of carrying out the provisions of this act and incidental thereto, and may do any and all things necessary fully and completely to effectuate the purposes of this act.

Rules and regulations

Article 3. Provisions Relating to All State Lands.

SEC. 31. All oil, gas, oil shale, coal, phosphate, sodium, gold, silver, and all other mineral deposits in lands belonging to the State, or which may become the property of the State, are hereby reserved to the State, except that nothing in this act applies to lands acquired by the State on sale thereof for delinquent taxes, other than lands so acquired, the deed for which is required to be filed in the office of the Department of Finance or of the commission. Such deposits are reserved

Reservation of mineral deposits

Exception

from sale except upon a rental and royalty basis as herein provided. A purchaser of any lands belonging to the State, or which may become the property of the State, shall acquire no right, title, or interest in or to such deposits. The right of such purchaser shall be subject to the reservation of all oil, gas, oil shale, coal, phosphate, sodium, gold, silver, and all other mineral deposits, and to the conditions and limitations prescribed by law providing for the State and persons authorized by it, pursuant to this act or otherwise, to prospect for, mine, and remove such deposits, and to occupy and use so much of the surface of said land as may be required for all purposes reasonably extending to the mining and removal of such deposits therefrom. The provisions of this section shall not apply to any compromise agreement entered into under this act.

Reservations
in applica-
tions to
purchase,
etc

SEC. 32. (a) All applications to purchase State lands which are hereafter filed, and all sales pursuant thereto, shall be subject to and contain a reservation to the State of all oil, gas, oil shale, coal, phosphate, sodium, gold, silver, and all other mineral deposits in all lands so acquired, and shall also contain a reservation to the State, and persons authorized by it, of the right to prospect for, mine, and remove such deposits and to occupy and use so much of the surface as may be required therefor, and all certificates of purchase and patents issued therefor shall contain such reservations.

Grants to
United
States

(b) Whenever authorized by law to make grants of land to the United States of America, or to an officer, department, or agency thereof, either in exchange for other lands or otherwise, the commission may make such grants with or without the reservation of deposits of oil and gas and other minerals required by this act.

Eligibility
for lease or
prospecting
permit.

SEC. 33. A lease or prospecting permit shall be issued only to and held by:

(a) Any person or association of persons who are citizens of the United States or who have declared their intention of becoming such, or who are eligible to citizenship under the laws of the United States and are citizens of any country, dependency, colony, or province, the laws, customs, and regulations of which permit the grant of similar or like privileges to citizens of the United States; or

(b) Any corporation ninety per cent or more of the stock of which is owned by persons eligible to hold a lease or permit under subdivision (a) of this section; or any corporation ninety per cent of the stock of which is owned either by a corporation eligible to hold a lease or permit hereunder, or by any combination of such eligible persons or corporations, or both;
or

(c) Any alien person entitled thereto by virtue of any treaty between the United States and the nation or country of which such alien person is a citizen or subject.

Forfeiture
of interest
held in
violation
of act.

SEC. 34. Any interest held in violation of this act shall be forfeited to the State by appropriate proceedings for that pur-

pose brought by the State of California in the superior court for the county in which the property or some part thereof is located, except that any ownership or interest forbidden in this act which may be acquired by descent, will, judgment, or decree may be held for two years and not longer after its acquisition.

SEC. 35. The commission, in its discretion, in issuing any lease under this act, may reserve to the State the right to lease, sell, or otherwise dispose of the surface of the lands embraced within such lease, in so far as the surface is not required by the lessee. If such reservation is to be made, however, it shall be so determined before the offering of such lease.

Reservation relating to surface lands

SEC. 36. A lease or permit issued under the provisions of this act may be assigned, transferred or sublet, with the consent of the commission, to any person, association of persons, or corporation, who at the time of the proposed assignment, transfer, or sublease, possesses the qualifications provided in this act. A lease shall contain provisions to enable the lessee to quitclaim all or any part of the State land covered by such lease and thereby to be released proportionately from drilling obligations or other obligations with respect to the land so quitclaimed or relinquished.

Assignment and transfer of lease

Quitclaim of leased land.

SEC. 37. The commission shall reserve and may exercise the authority to cancel any prospecting permit or lease upon failure of the permittee or lessee (after thirty days' written notice and demand for performance) to exercise due diligence and care in the prosecution of the prospecting or development work or the production work in accordance with the terms and conditions of the permit or lease, and the commission shall insert in every permit or lease issued under the provisions of this act appropriate provisions for its cancellation by the commission in accordance with the provisions of this section.

Cancellation of permit or lease.

SEC. 38. Any permit or lease under this act shall reserve to the commission the right to allow, upon such terms as the commission may determine to be just, the joint or several use of such easements or rights of way, including easements in tunnels, upon, through, or in the lands leased or permitted, as may be necessary or appropriate for the working of such lands or of other lands containing the deposits described in this act.

Joint or several use of easements or rights of way

SEC. 39. The commission, in the name of the State of California, may purchase or receive by donation or lease any right of way or easement in real property, or any real property in fee simple, necessary or proper for sites for drilling operations, storage of oil, dehydration plants, absorption plants, or other operations necessary or proper under this act.

Purchase or receipt of easements or rights of way.

SEC. 40. The commission, if it deems such action for the best interests of the State, may condemn, acquire, and possess in the name of the State any right of way or easement, including surface rights for any operation authorized or contemplated under the provisions of this act, that may be

Condemnation of easements or rights of way.

necessary for the development and production of oil and gas from state-owned land and for their removal, transportation, storage, and sale, and for such purposes is authorized and empowered in the name of the people of the State of California, to institute condemnation proceedings pursuant to section 14 of Article I of the Constitution and the Code of Civil Procedure relating to eminent domain. The acquisition of such interests is hereby declared a public use.

Resolution.

Prior to the institution of such condemnation proceedings, the commission shall adopt a resolution declaring that the public interest and necessity require the acquisition of such interest in lands for the purpose of performance of the duties vested in this commission by the provisions of this act and that the interest in such lands described in such resolution is necessary therefor. Such resolution shall be conclusive evidence: (a) of the public necessity of such proposed public use; (b) that such property is necessary therefor; and (c) that such proposed public use is planned or located in the manner which is most compatible with the greatest public good and the least private injury.

Availability
to lessees of
lands
acquired by
commission

SEC. 41. Any interests in lands, or lands in fee simple, acquired by the commission by purchase, donation, lease, condemnation, or otherwise, may be made available to any lessee of the State for the purposes contained in this act and upon such terms and conditions as may be determined by the commission.

Acquisition
of structures
and improve-
ments.

SEC. 42. The provisions of this act authorizing the commission to acquire interests in real property include the acquisition of structures and improvements situated on lands sold by the State subject to the reservations provided herein. Such structures and improvements shall be acquired, however, only upon the written request of a lessee under this act to whom the State has granted the right to extract the oil and gas or other minerals from such lands, and only upon the agreement by the lessee to reimburse the State for the cost and expense of such acquisition and the deposit by the lessee with the commission of such security as it may require.

Rejection of
bids, etc.

SEC. 43. The commission may, prior to the receipt of any bid for a lease under this act, withdraw any offer to receive bids therefor, and it may reject all bids therefor filed pursuant to invitation of the commission. At any time before the awarding of a lease thereon, all or any portion of a tract proposed to be leased may be withdrawn by the commission and eliminated from the proposal.

Grants of
easements
in lieu of
leases.

SEC. 44. Whenever by the terms of this act the commission may grant a lease of State lands, the commission may, in its discretion, make and execute an easement of surface or subsurface rights, or both, in lieu thereof and upon the same terms and conditions and subject to the same limitations and prohibitions as are provided in this act for a lease of such lands.

SEC. 45. For the purpose of this act, the commission is hereby authorized to enter into agreements with any person, association of persons, corporation, city, or county, or either of them, claiming the oil and gas in lands adversely to the State of California, which agreements may:

Agreements relating to adverse oil and gas claims.

(a) Establish the respective interests of the parties to the agreement in the oil and gas underlying such land;

(b) Establish the boundary line between lands claimed by the State and other parties to the agreement in those cases in which oil or gas is known to exist in such lands or in the vicinity thereof;

(c) Fix the amount of damages for past or future production of oil and gas from wells drilled under color of title on or into land claimed by the State.

SEC. 46. The commission, in the name of the people of the State of California, may bring action to determine the title to oil and gas in land against persons, associations of persons, and corporations claiming the same adversely and to recover damages for oil and gas removed therefrom. Any person, association of persons, corporation, or city not a party to such a suit and claiming the oil or gas in said land, or any part thereof, may intervene in such an action and have his rights adjudicated. The State hereby consents to be sued by any person, association of persons, corporation, or city for the purpose of quieting title to the right to oil or gas, or both, in any land, claimed by the State and by such person, association of persons, corporation, or city. Any other person, association of persons, corporation, or city not made a party to such an action but claiming any interest in said oil or gas may intervene in said suit.

Actions relating to adverse oil and gas claims.

All such actions shall be brought and tried in the county where the land or some part thereof is situated.

SEC. 47. Whenever it appears to the commission that wells drilled upon private lands are draining or may drain oil or gas from lands owned by the State, the commission may enter into agreements with the owners or operators of such wells for the payment of compensation to the State for such drainage, in lieu of drilling offset wells upon such State lands.

Agreements relating to oil and gas drained from State lands.

Article 4. General Provisions Relating to Oil and Gas Leases.

SEC. 51. Permits for prospecting for oil and gas deposits reserved to the State shall not be issued; and permits for prospecting for minerals, other than oil and gas, reserved to the State shall be issued only pursuant to article seven of this act.

Prospecting permits

SEC. 52. Leases for the extraction and removal of oil and gas deposits may be made by the commission to the highest qualified bidder, as provided in this act. Such a lease shall be for a term of twenty years, with the option in the lessee to continue the term of said lease as to all wells drilling or pro-

Oil and gas leases Term.

ducing at the expiration of the original term thereof for so long as oil or gas is produced therefrom.

Annual
rental.

In addition to the royalty provided therein, each bid and each lease shall also provide for an annual rental payment in advance of such sum as the commission shall specify, which rental shall be credited against the royalties, if any, as they accrue for that year.

Prevention
of waste

SEC. 53. All leases of lands containing oil or gas made or issued under this act shall be subject to the condition that the lessee will use all reasonable precautions to prevent waste of oil or gas developed in the land, or the entrance of water through wells drilled to the oil-bearing strata, to the destruction or injury of the oil deposits. All leases shall further provide that the lessee therein shall comply with all valid laws of the United States and of the State of California and with all valid ordinances of cities and counties applicable to the lessee's operations, including, without limitation by reason of the specification thereof, the lessee's compliance with the act of the State of California creating the office of the State Oil and Gas Supervisor, Statutes 1915, page 1404, and all amendments thereto.

Compliance
with laws
relating to
operations

Terms and
conditions
in general.

SEC. 54. Every oil and gas lease executed under this act shall include such terms, conditions, and provisions as will protect the interests of the State with reference to securing the payment to the State of the proper amount or value of production; the spacing of wells for the purpose of properly offsetting the drainage of oil and gas from State lands by wells drilled and operated on and within privately owned lands; diligence on the part of the lessee in drilling wells to the oil sands and requirements as to depth of such wells for the purpose of reaching the oil sands and producing oil and gas therefrom in commercial quantities; methods of operation and standard requirements for carrying on operations in proper and workmanlike manner; prevention of waste; protection of the safety and health of workmen; liability of the lessee for personal injuries and property damage; security for faithful performance by the lessee, including reasonable provisions for the forfeiture of the lease for violation of any of its covenants or of any of the provisions of this act by the lessee, and the requirement that the lessee shall, at the time of execution of the lease, furnish and thereafter maintain a good and sufficient bond in such sum as may be specified by the commission, in favor of the State, guaranteeing faithful performance by the lessee of the terms, covenants, and conditions of the lease and of the provisions of this act; and such other covenants, conditions, requirements and reservations as may be deemed advisable by the commission in effecting the purpose of this act and not inconsistent with any of its provisions.

Spacing of
wells and
rate of
drilling and
production.

SEC. 55. Such lease shall contain a reservation to the commission of the right to restrict by appropriate rules and regulations the spacing of wells and the rate of drilling and production of such wells so as to prevent the waste of oil and

gas and promote the maximum economic recovery of oil and gas from, and the conservation of reservoir energy in, each zone or separate underground source of supply of oil or gas covered in whole or in part by leases issued under the provisions of this act. The commission shall issue rules and regulations which may be amended from time to time to effectuate the purpose of this section, and in connection therewith shall restrict the rate of production from any such zone or separate underground source of supply to that provided by Federal or State laws or rules or regulations thereunder, or by any reasonable conservation or curtailment plan ordered by the commission or agreed to by a majority of the total production from any such zone or separate underground source of supply.

SEC. 56. Rights of way through all State' lands may be granted to any lessee by the commission under such regulations as to survey, location, application, and use as may be prescribed by the commission

Rights of way through State lands.

SEC. 57. For the purpose of more properly conserving the natural resources of any single oil or gas pool or field, lessees hereunder and their representatives may unite with each other jointly or separately, or jointly or separately with others owning or operating lands not belonging to the State, in collectively adopting and operating under a cooperative or unit plan of development or operation of the pool or field, whenever it is determined by the commission to be necessary or advisable in the public interest, and the commission may, with the consent of the holders of leases involved, establish, alter, change, and revoke any drilling and production requirements of such leases, and may make such regulations with reference to such leases, with like consent on the part of the lessees, in connection with the institution and operation of any such cooperative or unit plan, as the commission deems necessary or proper to secure the proper protection of the interests of the State.

Development and operation agreements between lessees and others.

SEC. 58. The commission, upon such conditions as the commission shall prescribe, may approve operating, drilling or development contracts made by one or more lessees holding oil or gas leases on State lands with one or more persons, associations, or corporations, whenever in the discretion of the commission the conservation of natural products or the public convenience and necessity require it, or the interests of the State may be best subserved thereby.

Approval of development and operating contracts to which lessees are parties.

SEC. 59. Each bid (which shall be in the form of a lease prepared in accordance with the provisions of this act) for an oil and gas lease shall be accompanied by a certified or cashier's check of a responsible bank in California payable to the State Treasurer in an amount to be fixed by the commission, which sum shall be deposited as evidence of good faith and except in the case of the successful bidder shall be returned to the bidder. Upon the execution of the lease the amount shall be applied upon the annual rental for the first

Certified check to accompany bid.

Forfeiture. year and the balance, if any, shall be returned to such lessee. If the successful bidder fails or refuses to execute the lease within fifteen days after the award thereof, the amount of the check shall be forfeited to the State.

Article 5. Oil and Gas Leases on Lands Other Than
Tide and Submerged Lands.

Provisions applicable to leases SEC. 71. Lands owned by the State, or lands in which the oil and gas deposits are reserved to the State, other than tide and submerged lands, may be leased for the production of oil and gas in accordance with the provisions of this article and of this act in so far as not in conflict with the provisions of this article.

When lands to be offered for lease. SEC. 72. Whenever it appears to the commission that any such lands probably contain commercially valuable deposits of oil or gas and that it is for the best interests of the State to lease such lands for the production of oil or gas therefrom, the commission shall then offer such lands for lease, as provided in this article.

Division of lands and form of lease SEC. 73. The commission may divide the lands within the tract proposed to be leased into parcels of convenient size and shape and shall prepare a form of lease therefor.

Notice of intention to lease.
Publication and contents SEC. 74. When the form of lease has been prepared by the commission, the commission shall give notice of intention to lease such lands. The notice shall be published for a period of five consecutive days in a newspaper of general circulation in the county in which such lands or the greater portion thereof are situated and shall state the time (which shall not be less than fourteen days after the last date of publication of the notice) and place for receiving and opening bids, a description of the lands, either as a tract or by parcels, and that the form of lease for the purpose of bidding may be procured at the designated office of the commission.

Opening of bids and award of lease. SEC. 75. At the time and place specified in the notice the commission shall publicly open the sealed bids and shall award the lease for each parcel to the highest qualified bidder, unless in the opinion of the commission, the acceptance of the highest bid for any parcel or parcels is not for the best interests of the State, in which event the commission may reject the bids for such parcel or parcels. Thereupon new bids may be called for and the parcel or parcels for which the bids were rejected may be leased as herein provided.

Rejection of bids
Lands belonging to State and dedicated to public use. SEC. 76. Lands, other than tide or submerged lands, belonging to the State and dedicated to a public use may be leased by the commission for the production of oil and gas in accordance with the provisions of this article and of this act in so far as not in conflict with this article.

Article 6. Oil and Gas Leases on Tide and Submerged Lands and Beds of Navigable Rivers and Lakes.

SEC. 85. Tide and submerged lands may be leased by the commission for the extraction of oil and gas in accordance with the provisions of this article and of this act in so far as not in conflict with the provisions of this article. No political subdivision of the State or any city or county or any official of either or any of them shall grant or issue any lease, license, easement, privilege, or permit vesting authority in any person to take or extract oil or gas from tide or submerged lands whether filled or unfilled of which the State is the owner or from which the State has the right to extract oil or gas, or both.

Provisions applicable to leases.

Prohibition on political subdivisions

SEC. 86. Whenever it appears to the commission that oil or gas deposits are known or believed to be contained in any such lands and may be or are being drained by means of wells upon adjacent lands not owned by the State, the commission shall thereupon be authorized and empowered to lease any such lands, either as a tract or in parcels of such size and shape as the commission shall determine, for the production of oil and gas therefrom, in the manner provided in this article.

When lands to be leased

SEC. 87. The commission shall prepare a form of lease which shall contain, in addition to other provisions deemed desirable and necessary by the commission, appropriate provisions contained in this act and the following:

Lease provisions required

(a) Each well drilled pursuant to the terms of such lease shall be drilled only upon filled lands or shall be slant drilled from an upland or littoral drill site to and into the subsurface of the tide or submerged lands covered by the lease. The derricks, machinery, and any and all other surface structures, equipment, and appliances shall be located only upon filled lands or upon the littoral lands or uplands, and all surface operations shall be conducted therefrom.

Drilling

(b) Pollution and contamination of the ocean and tidelands and all impairment of and interference with bathing, fishing or navigation in the waters of the ocean or any bay or inlet thereof is prohibited, and no oil, tar, residuary product of oil or any refuse of any kind from any well or works shall be permitted to be deposited on or pass into the waters of the ocean or any bay or inlet thereof.

Pollution of ocean and tidelands.

SEC. 88. When the form of lease has been prepared by the commission, the commission shall give notice of intention to lease such lands. The notice shall be published for a period of five consecutive days in a newspaper of general circulation in the county in which such lands, or the greater portion thereof, are situated and shall state the time (which shall not be less than fourteen days after the last date of publication of the notice) and place for receiving and opening of bids, a description of the lands, either as a tract or by parcels, and that the form of lease for the purpose of bidding may be procured at the designated office of the commission.

Notice of intention to lease. Publication and contents

Evidence of ability to furnish sites, etc.

SEC. 89. In any notice of intention to lease tide or submerged lands, the commission may include a requirement that each prospective bidder, as a condition precedent to the consideration of his bid and in addition to the other qualifications required by this act, shall present evidence satisfactory to the commission of his present ability to furnish all necessary sites and rights of way for all operations contemplated under the provisions of the proposed lease. In such event the commission shall reject the bids of all bidders who fail to qualify as provided by this section.

Opening of bids and award of lease.

SEC. 90. At the time and place specified in the notice the commission shall publicly open the sealed bids and shall award the lease for each parcel to the highest qualified bidder, unless in the opinion of the commission, the acceptance of the highest bid for any parcel or parcels is not for the best interests of the State, in which event the commission may reject the bids for such parcel or parcels. Thereupon new bids may be called for and the parcel or parcels for which the bids were rejected may be leased as herein provided.

Rejection of bids.

Agreements to compensate cities or counties for use of sites.

SEC. 91. If the Legislature has transferred to any city or county the administration of the trust, whether or not limited, under which such tide or submerged lands are held by the State, the commission, pursuant to the provisions of this act, may enter into agreements upon behalf of the State to compensate any such city or county for the use of surface drilling and operating sites upon such lands from the royalty or revenue to be derived by the State from oil and gas taken from such lands by lessees of the State.

Amount of compensation

Any such compensation shall include an amount sufficient reasonably to compensate any such city or county for any damage to or interference with the use or uses to which the surface of such lands are being or may be utilized by or upon behalf of such city or county. The consideration to the State in any such agreement shall include the right to a lessee of the State to carry on all operations on any such tidelands necessary to accomplish the purposes of this act and such terms and conditions as shall be determined by the commission to be in the interests of the State.

Consideration to State

The consideration to the State in any such agreement shall also include a compromise, settlement and release of any and all claims and rights which such city or county has or may have against the State arising out of or in connection with the extraction and removal of oil and gas from such lands as provided in this act.

Use of moneys paid

All money paid to any city or county under this act shall be used by it solely in furtherance of the trust under which the administration of tide and submerged lands has been transferred to such city or county and for the purposes expressed in the act so transferring administration of such lands.

Actions to enjoin drilling and recover damages.

SEC. 92. Should it appear to the commission that any person, association of persons, or corporation, has drilled, or is making preparation to drill, wells upon or into tide or

submerged lands for the extraction of oil or gas therefrom, whether or not such person, association of persons, or corporation may be acting under purported authority, the commission shall cause an action to be instituted in the name of and upon behalf of the State in a court of appropriate jurisdiction, to enjoin the occupancy and operations upon or in such lands and to demand compensation for injury and damage, if any, to such lands; except that, should the drilling operations be conducted upon or in lands which have been filled and if such operations have been commenced prior to the date of approval by the Governor of this act, the commission, if it appears to be in the interests of the State, may, upon behalf of the State, issue a lease to any such person, association of persons, or corporation in accordance with the provisions of this act in so far as applicable, and upon a royalty basis, retrospective and prospective, which appears reasonable and just in the circumstances to the lessee and the State.

Leases to persons drilling on filled land prior to approval of act.

SEC. 93. The beds of navigable rivers and lakes belonging to the State may be leased by the commission for the production of oil and gas, subject to the same limitations and conditions as are imposed upon tide and submerged lands by this article, and in accordance with the provisions of this act in so far as not in conflict with this article.

Leases of beds of navigable rivers and lakes

SEC. 94. Nothing in this act shall be construed to limit the effect of any grant of tide or submerged lands heretofore made to any city, county or other political subdivision, nor in any manner to prejudice whatever claim the State, on the one hand, or such city, county or political subdivision, on the other, may have in or to the right to extract or authorize the extraction of oil or gas or other minerals underlying such lands.

Effect on prior tide-land grants to political subdivisions

Article 7. Minerals Other Than Oil and Gas.

SEC. 111. Prospecting permits and leases for the extraction and removal of minerals other than oil and gas from lands belonging to the State, other than tide or submerged lands, may be issued as provided in this article and in this act in so far as not in conflict with the provisions of this article.

Provisions applicable to prospecting permits and leases.

SEC. 112. The commission shall issue a prospecting permit, under such rules and regulations as it may prescribe, to any qualified applicant, upon the payment to the commission of one dollar per acre for each acre in area embraced within the boundaries of the lands described in the permit, but no permit shall be issued for any lands which have been classified by the commission prior to such application as containing commercially valuable mineral deposits.

Issuance of prospecting permit.

Prohibition

Such prospecting permit shall give to the permittee the exclusive right for a period not exceeding two years to prospect for minerals other than oil and gas upon not to exceed one hundred sixty acres of land wherein such mineral deposits belong to the State.

Right conferred

Extension
of term.

The commission may, in its discretion, extend the term of any permit for a period not exceeding one year, but the term of any such permit, including extensions, shall be limited to a total of three years.

Securing
preferential
right to
permit
Erection of
monument,
posting and
recording
notice

SEC. 113. If the applicant erects upon the land for which a permit is sought a monument not less than four feet high, at some conspicuous place thereon, and posts written notice on or near the monument, stating that an application for a permit will be made within thirty days after the date of posting the notice, giving the name of the applicant, the date of the notice, and such a general description of the land to be covered by the permit by reference to courses and distances from the monument or from such other natural objects or permanent monuments, or both, as will reasonably identify the land, stating the amount thereof in acres, and if the applicant records a copy of the notice, within two days after the posting thereof, in the county recorder's office of the county in which the land is situated, he shall be entitled to a preferential right over others to a permit for the land so identified for a period of thirty days following such marking and posting.

Preferred
right to
permit in
purchaser of
State lands

SEC. 114. In case of an application for a permit or lease covering mineral deposits reserved to the State in lands sold by the State subject to such reservation by any one other than the owner of such lands, such owner shall have six months within which to file an application for a permit or lease, but if such owner fails to comply with the requirements of this act and the rules and regulations made in pursuance hereof, his preferential rights shall thereupon cease and terminate, and the original applicant shall be permitted to proceed with his application.

Marking and
posting
notice on
land covered
by permit

SEC. 115. The applicant shall, within ninety days after receiving a permit, mark each of the corners of the tract described in the permit upon the ground with substantial monuments, so that the boundaries can be readily traced upon the ground and shall post in a conspicuous place upon the lands a notice that such permit has been granted and a description of the lands covered thereby.

Right to
lease on
discovery of
minerals.

SEC. 116. Upon establishing to the satisfaction of the commission that commercially valuable deposits of minerals have been discovered within the limits of any permit, the permittee shall be entitled to a lease for not more than forty acres of the land embraced in the prospecting permit, if there be that number of acres within the permit. The area to be selected by the permittee shall be in compact form, and if surveyed to be described by the legal subdivisions of the public land surveys; if unsurveyed, to be surveyed by the commission at the expense of the applicant for the lease, in accordance with rules and regulations to be prescribed by the commission, and the lands leased shall be conformed to and taken in accordance with the legal subdivisions of such surveys.

Survey, etc.

Royalty and
rental

Such lease shall be upon a royalty, as specified by the commission in the permit, and the annual payment in advance of

a rental of one dollar per acre, the rental paid for any one year to be credited against the royalties as they accrue for that year.

SEC. 117. Until the permittee applies for a lease as to that portion of the area described in the permit herein provided, he shall pay to the State twenty per cent of the gross value of the minerals secured by him from the lands embraced within his permit and sold or otherwise disposed of or held by him for sale or other disposition.

Royalty payable until application for lease

SEC. 118. All deposits of minerals, other than oil and gas, in lands belonging to the State which have been classified by the commission as lands containing commercially valuable mineral deposits and all deposits of such minerals within lands embraced within a prospecting permit and not subject to preferential lease to the permittee, may be leased by the commission to the highest responsible bidder by competitive bidding under general regulations to qualified applicants in areas not exceeding eighty acres and in tracts which shall not exceed in length two and one-half times the width, in such form as the commission deems to be to the best interest of the State. In addition to the royalty provided therein, each bid and each lease shall also provide for an annual rental payment in advance of such sum as the commission shall specify, which rental shall be credited against the royalties, if any, as they accrue for that year.

Lease of mineral land classed as containing commercially valuable deposits or in which permittee has no preferential right.

Annual rental

SEC. 119. Leases under this article shall be for terms of twenty years with the preferential right in the lessee to renew the lease for successive periods of ten years upon such reasonable terms and conditions as may be prescribed by the commission.

Term of leases.

SEC. 120. The commission shall prescribe such additional terms, covenants and conditions, consistent with the provisions of this act, of permits and leases issued under this article as will in its opinion effectually protect the interests of the State in the mineral deposits reserved to it by this act.

Additional terms and conditions.

Article 8 Miscellaneous Provisions.

SEC. 130. All moneys and remittances received by the State pursuant to this act shall be deposited in the State treasury to the credit of the "State Lands Act Fund," which fund is hereby created. There shall also be transferred to and deposited in said fund the balance of moneys in any appropriation or special fund in the State treasury now remaining or made available by law for the support of the Division of State Lands in the Department of Finance or for the administration of the statutes and laws the administration of which is transferred to the commission by this act. The moneys in said fund are hereby appropriated as follows:

"State Lands Act Fund."

Appropriation.

(a) There shall first be transferred to the "school fund" all rents, bonuses, royalties, and profits accruing from the use of State school land.

(b) The moneys transferred to the State lands act fund from existing appropriations and special funds, as provided by this section, shall be expended by the commission only in accordance with law for the support of the Division of State Lands in the Department of Finance and for carrying on the works or performing the duties for which the appropriations were made or the special funds created.

(c) The remainder of the moneys shall be used by the commission, with the approval of the Director of Finance and the consent of the Governor, to carry out the provisions of this act, including the acquisition of real property or interests therein, the purchase of materials and supplies, and the conducting of operations by the State as provided herein, the payment by the State of such sums as may be provided pursuant to agreements or contracts authorized herein, the payment of the necessary expenses of the commission, and the payment of refunds.

(d) Any remaining balance shall be transferred to the general fund on order of the commission, except thirty per cent thereof, which shall be transferred to the "State park maintenance and acquisition fund," which fund is hereby created, to be expended in the manner hereafter provided by law.

"State park maintenance and acquisition fund "

Repeals and effect thereof.

SEC. 131. The following acts, together with all amendments thereof, are hereby repealed, but such repeal shall not affect any existing vested rights thereunder or any permit, lease, or agreement entered into under any provision thereof, nor shall it affect the rights or duties of any purchaser of State lands sold prior to the effective date of this act.

"An act to reserve all minerals in State lands; to provide for examination, classification and report on the mineral and other character of State lands; to provide for the granting of permits and leases to prospect for and take any such minerals; to provide for the rents and royalties to be paid, and granting certain preference rights; to provide for the making of rules, regulations and contracts necessary to carry out the purposes of this act; and repealing acts or parts of acts in conflict herewith: providing for an appropriation to defray the cost of administering this act," approved May 25, 1921 (Chapter 303, Statutes of 1921).

"An act to authorize the leasing of certain lands belonging to the State of California containing oil, gas, or other hydrocarbon deposits and providing for the disposition of the moneys received under said leases, and creating a commission to carry out the provisions of this act," approved May 25, 1923 (Chapter 227, Statutes of 1923).

Construction

SEC. 132. This act shall not be construed as repealing or otherwise affecting an act entitled "An act relating to lakes and streams, the waters of which contain minerals in commercial quantities; withdrawing State lands within the meander lines thereof from sale; prescribing conditions for taking such minerals from said waters and lands, and providing for the leasing of lands uncovered by the recession of

- the waters of such lakes and streams," approved April 27, 1911 (Chapter 612, Statutes of 1911).

SEC. 133. If any clause, sentence, paragraph or part of this act shall, for any reason, be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this act, but shall be confined in its operation to the clause, sentence, paragraph or part thereof directly involved in the controversy in which such judgment shall have been rendered. Constitutionality.

SEC. 134. All acts or parts of acts in conflict with the provisions of this act are hereby repealed. Repeal.
