

A meeting of the State Lands Commission was held in the Office of the Department of Finance, State Building, Los Angeles, at 2:00 P. M., May 3, 1940.

Present were:

John R. Richards, Chairman,  
Ellis E. Patterson, Member,

Absent was:

Harry B. Riley, Member.

Attending the meeting were representatives of operators of a number of wells at Huntington Beach, which wells for one reason or another were not producing oil, or if producing oil, only in small quantities. Among them were C. M. Rood and H. H. McVicar, representing McVicar-Rood Corporation, who sought to redrill Well "Smith" No. 1 described in Agreement for Easement No. 279, Huntington Beach. After discussion with the various operators, the Commission was urged to waive regulation governing redrilling of wells adopted December 30, 1938, to authorize the redrilling of a well by sidetracking with the consent of the operators designed to be protected under the regulation.

Thereupon Mr. Patterson moved, Mr. Richards seconded, and resolution was unanimously adopted to authorize the redrilling of Well "Smith" No. 1 described in Agreement for Easement No. 279, Huntington Beach, upon receipt by the State of consent thereto or lack of objection in writing by the operators whose wells might be within 200 feet of completed well when redrilled.

Other representatives of operators at Huntington Beach expressed interest in plan of Commission to permit them to redrill their wells by sidetracking or to drill into locations from which oil is not now being produced. After discussion, it was suggested by the Chairman that a proposed form of resolution be drafted by the Executive Officer designed to conform to conclusion reached at this meeting and forward copies of the same to operators of all wells at Huntington Beach, the wells of whom are in such condition that they should receive them. The said form of proposed resolution is as follows:

#### RECITAL:

Evidence has been presented to the State Lands Commission that a number of the wells described in agreements for easements, Huntington Beach, dated March 1, 1934, which wells were completed and produced oil and gas, are unable to produce oil and gas in commercial quantities, and should either be closed down and abandoned or redrilled or relocated.

The engineering staff of the State Lands Commission has furnished engineering information to the Commission that certain of such wells may be redrilled by sidetracking existing holes within the

regulations adopted by the State Lands Commission December 30, 1938, and that other wells which cannot qualify under said regulation may be relocated in other areas from which oil and gas are not now being produced. The operators of the wells in the latter class would be required under the "State Lands Act of 1938" to bid for such locations.

It was further proposed by the engineering staff that the State Lands Commission employ the form of agreement executed between the Termo Company, a corporation, and State of California, and designated in files of the State Lands Commission as Agreement for Easement No. 409, except that the royalty schedule contained in agreements for easement executed March 1, 1934, at Huntington Beach would be incorporated with a minimum advance in royalty of 25% which according to the engineering staff would provide for a royalty of approximately 13% at 200 barrels average daily production.

It was further pointed out by the engineering staff that natural physical conditions would determine whether a certain well could be sidetracked within the rule herein mentioned or whether it would be necessary for the operator of such well to bid for a new location.

NOW THEREFORE BE IT RESOLVED That the State Lands Commission hereby adopts the procedure outlined in the Recital hereof and hereby directs and authorizes the Executive Officer of the Commission to determine those wells to which reference is made in the Recital hereof which may be redrilled by sidetracking within the regulation of the Commission adopted December 30, 1938, and as to those wells which cannot be so redrilled to negotiate with the owners and endeavor to find locations which may be reached by the respective owners, for which bids have heretofore been invited by the Commission, and that invitation for bids be thereupon given in accordance with the law.

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