

37. (Request for Deferment of Drilling Requirements - Honolulu-Signal-Macco, Coal Oil Point Area, Santa Barbara County - P.R.C. 309) The Commission was informed that on September 15, 1949, (Minute Page 995, Item 4), the Commission authorized the deferment of drilling and operating requirements under Oil and Gas Lease P.R.C. 309 for a period of ninety days until November 1, 1949. Honolulu Oil Corporation as the operator under Lease P.R.C. 309 has requested an additional deferment of drilling and operating requirements of ninety days until January 29, 1950, within which time to complete the analysis of accumulated geological information and to formulate plans for future exploration on the lease.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to grant Honolulu-Signal-Macco, lessees under State Oil and Gas Lease No. P.R.C. 309, a deferment of drilling and operating requirements until January 29, 1950.

38. (Proposed Amendment to Crude Oil Sales Contract - Southwest Exploration Company - Huntington Beach, Agreement for Easement No. 392 (303-21) The Commission was informed that a request has been received from the Southwest Exploration Company, lessee under Agreement for Easement 392, Huntington Beach, for approval of a modification to the oil sales contract with the Standard Oil Company of California, which will permit the addition of a small amount of solvent in the performance of the quality test on crude oil to determine sand, water and other foreign substances.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to inform the Southwest Exploration Company that modification of testing procedure in the crude oil sales contract with the Standard Oil Company of California under State Agreement for Easement No. 392 by the addition of the following language is approved:

"In making the gasoline test it shall be permissible to add a small amount of some other solvent or demulsifying agent such as Trete-o-lite, such amount, however, not to exceed over one-quarter cubic centimeter in a 100 cubic centimeter centrifuge tube, in addition to the use of gasoline and refined bisulphide of carbon in the making of the gasoline test for determination of sand, water and other foreign substances contained in crude oil produced from the above indicated State lease."

39. (Application for Modification of Royalty Rate - Well "H.B. 19" - Wilshire Oil Company, Inc., Agreement for Easement No. 275 (303-21) - Huntington Beach-W.O. 407) The Commission was informed that on July 26, 1949, (Minute Page 991, Item 12) it authorized a request to the Attorney General as to what legal grounds exist for the cancellation or modification of the agreement of August 31, 1944, relating to royalties payable on Well "H.B. 19" under Agreement for Easement No. 275, and authorizing the Executive Officer to cancel said amendment if the opinion holds that such change can legally be made.

The Commission was further informed that the informal opinion received from the office of the Attorney General under date of October 14, 1949, states that under the circumstances set forth and in view of the constitutional prohibition against gifts of State property as stated in Article IV, Section 31 of the Constitution, any cancellation or modification of the amendment of August 31, 1944, pertaining to royalty rates would be extremely inadvisable and might constitute a violation of the Constitutional prohibition.

Mr. Kuchel requested that a copy of the informal opinion received from the Attorney General October 14, 1949, be furnished him for his perusal before the December meeting.

Upon motion duly made and unanimously carried, a resolution was adopted continuing this matter until the December meeting.

40. (Extension of Oil and Gas Lease 89 (303-21), Bankline Oil Company, Elwood Field, Santa Barbara County - W.O. 572, P.R.C. 421) The Commission was informed that the proposed form of oil and gas lease extension and renewal for Oil and Gas Lease 89, Bankline Oil Company, Elwood Field, (Calendar Item 3, Page 2) provides in Section 2 thereof that royalty shall be calculated upon the reasonable market price of the oil at the well as determined by the State unless such oil is sold pursuant to a sales contract approved by the State, and in Section 15 that the lessee shall file with the State true and correct copies of all sales contracts for the distribution of oil, gas, natural gasoline and other substances produced under the lease. Under the extension and renewal of Oil and Gas Lease 89, the Bankline Oil Company as lessee has requested the approval of the continuation of the lessee's present crude oil sales program whereunder in the absence of a written sales contract, oil produced on the lease is being sold at the Standard Oil Company of California posted market price for oil f.o.b. ship, Elwood, California, less five cents per barrel handling charge, and that such price schedules have been used in the standard accounting practice for all State royalty oil on State leases at Elwood.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to inform the Bankline Oil Company, lessee under the extension and renewal of Oil and Gas Lease 89, that pursuant to Section 2 of said extension and renewal and until further notice, oil royalty shall be calculated upon the reasonable market price of the oil at the well, which price shall not be less than the price posted by the Standard Oil Company of California for oil or like quality and gravity f.o.b. ship, Elwood, California, less five cents per barrel for handling and shipping charges.

41. (51st District Agricultural Association Property - W.O. 425) The Commission was informed that the 51st District Agricultural Association has requested the approval and execution by the State Lands Commission upon behalf of the Agricultural Association of an oil and gas lease between the Standard Oil Company of California and the Agricultural Association for the property occupied by the Fair Grounds at Northridge. This request was based upon the statutory interpretation that the State Lands Commission is authorized in accordance with the Public Resources Code to enter into a lease on behalf of the State for the production of oil and gas or other mineral deposits on the lands involved and that the Commission is the only State agency having such authority, which procedure is in conformance with the opinion of the office of the Attorney General under date of July 5, 1949. However, procedure for leasing under the Public Resources Code, would require the issuance of a lease pursuant to competitive public bidding in lieu of negotiated lease for which the Agricultural Association has requested approval, and further, the proceeds under a lease issued by the Commission would be deposited in the State Lands Act Fund and could not inure to the benefit of the Agricultural Association. Further informal discussion with the office of the Attorney General relative to the effect Chapters 689 and 1212 of the Statutes of 1949, which became effective after the date of the aforesaid Attorney General's opinion, has lead to the conclusion that a District Agricultural Association may now have the authority to lease Agricultural Association property directly, subject to approval by the Director of Finance. The bases