

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