

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

for the leasing by the Commission of the lands under discussion are further complicated by the fact that one-half of the mineral interest in the lands is not owned by the Agricultural Association and has already been leased by the original owner thereof and, finally, the land was acquired in the name of the 51st District Agricultural Association and not in the name of the State of California. Since the State Lands Commission has clear authority to negotiate and execute an oil and gas lease for the lands involved and the 51st District Agricultural Association may also have the necessary authority, a policy determination would be appropriate by the Director of Finance as to the manner in which the interests of the State would best be served.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the reference of the matter of the leasing of the 51st District Agricultural Association property for the production of oil and gas to the Director of Finance for determination of policy relative to such leasing.

42. (Proposed Gas Lease - Tide and Submerged Land and Beds of Navigable Rivers - Sacramento and San Joaquin Counties - W.O. 478) The Commission was informed that Section 6872 Public Resources Code provides that wherever it appears to the Commission that oil or gas deposits are known or believed to be contained in any tide and submerged lands or beds of navigable rivers or lakes, and such lands may be or are being drained by means of wells upon adjacent lands, the Commission is thereupon authorized and empowered to lease any such lands either as a tract, or by parcels of such size and shape as the Commission shall determine, for the production of oil and gas therefrom. Brazos Oil and Gas Corporation has completed Well "Isleton Community 1" approximately 420 feet from the Sacramento River and 1620 feet within the exterior boundary of Agreement for Easement 415 held by Standard Oil Company of California, and is completing Well "Gardiner No. 5" 840 feet from unleased State land in Georgiana Slough. The State lands in the general territory easterly of the present limits of Agreement for Easement 415 may be drained by means of wells upon adjacent lands.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to publish a notice of intention pursuant to the provisions of the Public Resources Code, for a lease for the production of gas only from all of the State land contained within the following described tract lying in Sacramento and San Joaquin counties:

North Boundary: North line of Sections 15, 16, 17 and 18, T. 4 N., R. 4 E., M.D.B. & M., extended to intersection with the easterly boundary of Agreement for Easement 415.
West Boundary: East line of Agreement for Easement 415 to intersection with South boundary.
South Boundary: South line of Sections 15, 16 and 17, T. 3 N., R. 4 E., M.D.B. & M., extended.
East Boundary: East line of Sections 3, 10 and 15, T. 3 N., R. 4 E., and Sections 15, 22, 27, 34, T. 4 N., R. 4 E., M.D.B. & M.

43. (Proposed Revision of Gas Sales Contract, Agreement for Easement No. 415(303-21) Standard Oil Company of California - W.O. 465) The Commission was informed that on June 14, 1949, (Minute Page 959, Item 78) it authorized deferment of action and arrangement for a hearing on the request of the Standard Oil Company of California for approval of a modification to the gas sales contract of May 16, 1940, between Standard Oil Company and the Pacific Gas and Electric Company, subject to the condition that the Standard Oil Company as the lessee of the State, pay all outstanding