

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

obligations to the State based upon the requirements of the original gas sales contract. On July 29, a conference was held with Mr. R. E. Clarke and Mr. T. McBains, representing the Standard Oil Company of California, relative to the proposed contract revision, at which time they presented information on the manner of establishment of prices for various grades of fuel oil and the purchasing and marketing bases of the Pacific Gas and Electric Company for natural gas, which information had not been made available previously. Upon review of these data, it was suggested by the Division that consideration be given by the Standard Oil Company to the adoption of a modification of Section 15 of the Standard-Pacific Gas and Electric Company contract of May 16, 1940, to provide for the establishment of the price to be paid for gas delivered under Agreement for Easement No. 415 in relation to the arithmetical average price for all grades of fuel oil corresponding to Pacific Specification 400 (i.e. "Standard Bunker Fuel Oil" and "Standard Fuel Oil") at Richmond, together with an appropriate upward adjustment equivalent to the differential in prices posted for fuel oil corresponding to Pacific Specification 400 for pipeline deliveries at San Francisco and Richmond, California. A copy of the rejection of this proposal by the Pacific Gas and Electric Company was transmitted by the Standard Oil Company on September 20, 1949. Under date of September 14, 1949, an informal opinion of the Office of the Attorney General was received stating that "So long as there continues to be marketed a fuel oil which corresponds to that which was known and referred to on June 5, 1940, as 'Pacific Specification 400', the contract" (Standard-Pacific Gas and Electric Contract of May 16, 1940) "is operative in all its terms * * * * * To hold otherwise would violate the terms of the contract and impinge upon Section 31, Article IV of the Constitution." (Constitutional prohibition against gift of State funds and property.) On September 19, 1949, the Standard Oil Company transmitted payments in the amount of \$57,422.04 to cover additional royalty for the months of January through September, subject to adjustment upon final settlement of the issue of the proper fuel oil base for escalation of gas prices under Agreement for Easement No. 415.

Messrs. Schroeder, Hart, McBains, Peterson and Beckman appeared before the Commission representing the Standard Oil Company of California and the Pacific Gas and Electric Company. Discussion was had of all phases of this complicated matter.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing (a) the staff of the State Lands Commission, representatives of the Standard Oil Company and Pacific Gas and Electric Company, to arrive at the facts in the case and thereafter confer with the Attorney General's office in Los Angeles as to legal relief, if any, which might be obtained; (b) request a formal opinion of the Attorney General on the legal issues involved; and (c) report to the Commission the results of these further negotiations.

44. (County of San Joaquin - Request for right of way easement over Middle River, San Joaquin County - W.O. 556, P.R.C. 464) The Commission was informed that on September 15, 1949, it authorized the Executive Officer to issue to San Joaquin County a right of way easement across Middle River in Sections 3 and 4, T. 1 N., R. 4 E., M.D.B. & M., San Joaquin County, for the purpose of constructing, maintaining and using a bridge and approaches for a period of fifteen years with right of renewal for two additional periods of ten years each. The County Road Commissioner feels that the total of thirty-five years is too short a time, considering the cost of the bridge and approaches. The standard form of easement approved subsequently by the Attorney General and used in cases like this states that the right of way easement "shall continue and shall remain in effect only so long as the same shall be used, utilized and maintained for the purpose herein specified, and at any time