

A meeting of the State Lands Commission was held in the office of the Department of Finance, State Capitol, Sacramento, at 4 o'clock P. M., January 10, 1941.

Present were:

George Killion, Chairman,
Harry B. Riley, Member,
Ellis E. Patterson, Member.

Absent was:

None.

The Chairman brought to the attention of the Commission request of the Calaveras Cement Company to reconsider action heretofore taken by the Commission with respect to application of the Calaveras Cement Company for gas pipe line easement over seven navigable streams. He further stated that there appeared to be ~~so~~ some question whether the State Lands Commission has the legal power to issue an easement in accordance with the form submitted by the Calaveras Cement Company with its request for reconsideration. Following discussion among the members, the Executive Officer was instructed by the Chairman to read proposed "Findings of Facts" with reference to application for reconsideration of the Calaveras Cement Company. The Executive Officer then proceeded to read "Findings of Facts" as follows:

"The State Lands Commission has jurisdiction over approximately 1656 acres of lands of the State of California being the beds of the Sacramento River and navigable streams at and in the vicinity of Rio Vista, California, and known to contain natural gas in commercial quantities (which constitutes approximately 12.62% of the area in the Rio Vista Gas Field).

"On June 3, 1940, the State Lands Commission awarded an easement to Standard Oil Company of California, a corporation, whereby that company was given the exclusive right to extract natural gas from said lands and other adjacent lands under jurisdiction of State Lands Commission, and in pursuance of the easement the Company has drilled a well into said lands of the State and is paying the State compensation in accordance with the terms of the easement.

"The Calaveras Cement Company, a corporation, manufactures cement at San Andreas, in Calaveras County, State of California, some 80 miles from said lands of the State of California, and desires to obtain natural gas from the Rio Vista Gas Field to operate its facilities at San Andreas. The requirements of Calaveras Cement Company for plant operation are estimated to be 5 million cubic feet per day. To deliver natural gas to its plant a pipe line must be laid from Rio Vista to San Andreas, and to this end the Calaveras Cement Company has applied to State Lands Commission for easements over and across the beds of seven navigable streams under jurisdiction of State Lands Commission.

"The Calaveras Cement Company owns or controls approximately 20 acres of lands in the Rio Vista Gas Field known to contain natural gas in commercial quantities, and has drilled one well on a parcel of land constituting a portion of its holdings in Rio Vista Gas Field, which

well is within approximately 200 feet of said lands under the jurisdiction of the State Lands Commission. From this well the Calaveras Cement Company would produce natural gas for transportation through the gas pipe line, portions of which would cross the navigable streams under the jurisdiction of the State Lands Commission.

"For the easement to use said beds of navigable streams the Calaveras Cement Company has offered to compensate the State Lands Commission by a variable sum based upon the quantity of natural gas passed through the gas pipe line and the current market value of natural gas. The proposal of Calaveras Cement Company in this respect is as follows:

'That grantee promises and agrees to pay to the State (State Lands Commission) a sum equivalent to a 6% royalty on all gas transported through the pipe line to be constructed upon the easement herein granted, said sum to be based upon the highest price then being paid for gas in the Rio Vista Gas Field . . .'

"Earlier, the Calaveras Cement Company agreed in writing to pay The Reclamation Board of the State of California a royalty of 12 $\frac{1}{2}$ % upon all gas passed through a line to be laid over lands under the jurisdiction of the State Reclamation Board. Said agreement carries a minimum guaranteed royalty of \$20 per day.

"The State Lands Commission has been advised by consulting geologist and Petroleum engineers employed by the Commission that said well of Calaveras Cement Company will drain substantial quantities of gas from said lands under the jurisdiction of the State Lands Commission from which Standard Oil Company of California has been given the exclusive right to extract natural gas.

"It is the policy of the Commission to issue pipe line easements under navigable streams in consideration of the payment to the Commission of its actual cost for surveying, checking descriptions, and preparation of form of easement, which sum has been paid to the Commission prior to delivery of the instrument. In view of this practice, it appears to the Commission that the compensation which has been offered to it by Calaveras Cement Company as consideration for such gas pipe line easement is greatly in excess of the amount charged by the Commission in accordance with its policy.

"It further appears from the records of the State Lands Commission that the Calaveras Cement Company has refused to accept from the Commission a proposal to it by the Commission to issue an easement for gas pipe line at actual cost to the Commission. The proposed form of easement contains a limitation whereby Calaveras Cement Company would be permitted to extract gas from the Rio Vista Gas Field in such amount as acreage owned or controlled by the Calaveras Cement Company in the Rio Vista Gas Field bears to the entire producing acreage in the Rio Vista Gas Field.

"From the foregoing, it is hereby the determination of the State Lands Commission that by the granting of easement in the form for which application has been made by the Calaveras Cement Company, this company

would take from the Rio Vista Gas Field quantities of gas greatly in excess of the amounts of natural gas to which it would be entitled upon an acreage basis and would, therefore, permit drainage of huge quantities of natural gas which the State Lands Commission by virtue of 'Agreement for Easement No. 415, Rio Vista', has granted the exclusive right to extract from adjacent lands under the jurisdiction of the State Lands Commission."

At the conclusion of the reading of "Findings of Facts" by the Executive Officer, upon motion by Mr. Riley, seconded by Mr. Patterson, and unanimously carried, a resolution was adopted, directing the Executive Officer to make application to the Attorney General for an opinion to determine whether the State Lands Commission, either under the "State Lands Act of 1938" or under Section 675 of the Political Code, has the power to issue or approve the issuance of an easement in the form submitted by Calaveras Cement Company on November 13, 1940, and upon "Findings of Facts" heretofore read and hereby approved and adopted as read by the Executive Officer.

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