

<u>Lease No.</u>	<u>Lessor</u>	<u>Amount</u>
P.R.C. 117	War Department, U. S. A.	\$1.00
P.R.C. 119	" " "	1.00

for the reason that the United States Government has refused to acknowledge this indebtedness, and upon approval of the State Board of Control of such discharge of accountability, appropriate credits shall be applied to the lease accounts receivables Nos. P.R.C. 117 and P.R.C. 119, thus closing these accounts on the records of the State Lands Commission.

31. (Application for Modification of Royalty Rate - Well "H.B. 19" - Wilshire Oil Company, Inc., Agreement for Easement No. 275 - Huntington Beach) The Commission was informed that the Wilshire Oil Company, Inc., lessee under Agreement for Easement No. 275, Huntington Beach, has requested the cancellation of the amendment of August 31, 1944, to said agreement for easement, which amendment fixed the minimum royalty payable on crude oil production from Well "H.B. 19" at 20 percent. The original agreement for easement carried a royalty formula with no minimum but which would have amounted to about 10 percent on the average.

The request for modification is based on a contention that lack of approval by the State of request for the redrilling of Well "H.B. 19" for a period of approximately 4 years placed an inequitable burden upon the company; that the ultimate redrilling costs were far in excess of those that the company would have had at the time the amendment fixing the minimum royalty was entered into and that depletion of the reserves available to that well has been substantial. It is also claimed by the Wilshire Oil Company that the consideration on their part for the increased royalty agreed to was assurance by the State of approval of their request for redrilling within a reasonable time.

Investigation of the history of these transactions reveals that these allegations are largely correct and the facts appear to be as follows:

1. On August 11, 1944, lessee originally requested authority to redrill Well "H.B. 19". Application was renewed on December 3, 1947. Permission was finally granted on July 6, 1948;
2. Under date of August 31, 1944, a modification of agreement was executed by the State and the lessee, calling for an increase in royalty rate to a minimum of 20%;
3. Estimates of economic loss through depletion and higher drilling costs are substantial;
4. If approval of redrilling within a reasonable time was a consideration to the lessee for its action in agreeing to the increase of royalties, the State failed to deliver on its part of the bargain;
5. If that approval was a consideration, the royalty amendment was a violation of the original easement, Section 2g of which states in part "the State shall not exact any royalty or royalties in addition to those herein specified from the grantee in consideration of granting of such permission" (to redrill);
6. Only the statement of the lessee is available as direct evidence that approval of the redrilling was a consideration, however, correspondence on file in this office creates a presumption in that regard.

It is accordingly the opinion of the Executive Officer that the Wilshire Oil Company is morally and perhaps legally entitled to the redress it seeks.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing a request to be made to the Attorney General as to what legal grounds exist for the cancellation or modification of the aforesaid amendment of August 31, 1944, and authorizing the Executive Officer to make the change if the opinion holds that such change can legally be made.

32. (City of San Clemente - Sublease of Tide and Submerged Lands Lease P.R.C. 53) The Commission was informed that an application has been received from the City of San Clemente for approval of a sublease between the City of San Clemente and the San Clemente Boat Club, a non-profit organization, for a portion of the State land leased under P.R.C. 53, (W.O. 451).

On August 20, 1942, the State Lands Commission entered into a lease, P.R.C. 53, with the City of San Clemente for an area of tide and submerged lands on which was constructed a recreational pier within the city limits of San Clemente. This lease was entered into with no consideration for the reason that it was a public expenditure. Under the proposed sublease, the City of San Clemente leases for a nominal dollar, a portion of the pier constructed on the State land. This sublease requires the Boat Club to make certain improvements to the pier, which improvements shall be available to all residents of San Clemente who become members of the non-profit Club. The City of San Clemente also reserves the option to purchase the improvements at any time it desires.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to approve the sublease between the City of San Clemente and the San Clemente Boat Club dated February 16, 1949.

33. (Standard Oil Company of California - Application for Lease of Tide and Submerged Lands in Sacramento River at Rio Vista, Solano County - W.O. 528, P.R.C. 436) The Commission was informed that the Standard Oil Company of California has applied for a lease of approximately 0.22 acre of tide and submerged land in Sacramento River at Rio Vista, Solano County. The area desired to be leased contains a small loading dock and protective dolphins now owned and operated by Standard Oil Company. A lease for fifteen years with the right of renewal for an additional ten years is requested. Staff appraisal indicates rental will be the minimum of \$50.00 per year.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to issue a lease to the Standard Oil Company of California of approximately 0.22 acre of tide and submerged land in Sacramento River at Rio Vista, Solano County, for the maintenance and use of a loading dock with protective dolphins, for a period of fifteen years at an annual rental of \$50.00, first and last years' rental to be paid in advance. Lessee is to have the right of renewal for an additional period of ten years at such rental as may be determined upon expiration of the original period and to furnish a bond in the amount of \$1,000.00.

34. (Sale of Vacant Federal Land, Obtained through Use of Base, Scrip Application No. 4701, Sacramento Land District, Inyo County - Russell J. Crist - Sac. W.O. 181) The Commission was informed that an offer has been received from Mr. Crist of Trona, California, to purchase the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 32, T. 23 S., R. 43 E., M.D.M., containing 40 acres in Inyo County. This land may be obtained by the State from the Federal Government through use of base.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the filing for this land with the Federal Government, and upon the approval of the selection, the sale of the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 32, T. 23 S., R. 43 E., M.D.M., containing 40 acres, to Mr. Crist at a cash price to be set by the Commission after appraisal, subject to all statutory reservations, including minerals.