

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

upon discontinuance of such use and maintenance for a period of \_\_\_\_\_ days" shall terminate. It also states "Unless said right of way easement is sooner terminated as heretofore provided, it shall in any event terminate and cease \_\_\_\_\_ years from date hereof---". Right of renewal is provided for.

Upon motion duly made and unanimously carried, a resolution was adopted rescinding the Commission's action of September 15, 1949, item 26, and authorizing the Executive Officer to issue to the County of San Joaquin 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 only so long as the same shall be used, utilized and maintained for the purpose specified, upon termination of such use the right of way easement to revert to the State.

45. (Division of Highways - Request for Permit for Crossing State Tide and Submerged Lands - Anaheim Bay, Orange County - W.O. 594, P.R.C. 485) The Commission was informed that the Division of Highways rerouted Highway 101 Alternate at Anaheim Bay, Orange County, to provide the Navy with a larger harbor at the Naval Ammunition and Net Depot, and it now requests that a permit be granted for the new crossing 150 feet in width and approximately 360 feet in length over an arm of Anaheim Bay in accordance with Section 101.5 of the Streets and Highways Code.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to issue to the Division of Highways a right of way across an arm of Anaheim Bay, Orange County, on Highway 101 Alternate otherwise designated VII-Gra-60-S1 B.A.

46. (Application for prospecting permit - Tide and Submerged Lands, Santa Barbara County - J. Russell Peery - W.O. 579, P.R.C. 486) The Commission was informed that an application has been received from Mr. J. Russell Peery of Pasadena for a permit to prospect for gold and platinum on forty acres of tide and submerged land in Santa Barbara County, approximately 2 1/2 miles south of the town of Surf, that inspection of the records of the Division of Mines and the State Lands Commission, together with field reconnaissance have not established that the land is known to contain commercially valuable deposits of minerals,

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to execute and issue a two-year prospecting permit to Mr. J. Russell Peery for forty acres of tide and submerged lands in Santa Barbara County, two and one-half miles south of Surf, pursuant to the Public Resources Code, with royalty payable under any preferential lease issued upon development of commercially valuable mineral deposits to be in accordance with the following schedule:

$$R = 5 + 0.5 (V)$$

where

R = royalty rate in per cent

V = value of ore shipped above \$20.00 per ton

Minimum royalty rate 5% (applicable to all values of shipments up to and including \$20.00 per ton)

Maximum royalty rate 50%