

it shall be deemed the highest bidder, except as may otherwise be required by law.

"13. This agreement may be terminated or the provisions changed, altered or amended by mutual consent of the parties.

"IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed the day and year first hereinabove written.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By _____
Executive Officer

SOUTHERN PACIFIC COMPANY

By _____
and

4. (UNITED STATES VS. CALIFORNIA, TIDELAND CONTROVERSY - W.O. 721) The Commission was informed that it had heretofore been furnished with copies of the Supreme Court Opinion in the case of United States vs. Texas and United States vs. Louisiana. In both of these opinions, the California decision was relied upon by the Supreme Court and it would appear that the opinion in these latter two cases are more severe than that against the State of California. The Commission will recall that the California decision stated State of California was not the owner of the submerged lands seaward of the low water mark along the coast of California and outside of inland waters. However, in the Texas and Louisiana cases the Supreme Court ordered that before September 15, 1950 the parties may submit the form of the decree - thus later the argument as to the precise location of the respective boundaries may be precipitated.

LEGISLATION:

On June 26, the House Rules Committee sent H.R. 8137 (introduced by Congressman Francis E. Walker, of Pennsylvania, Chairman of the subcommittee) to the floor. It is anticipated the House of Representatives will vote favorably on the bill soon after July 4th. Title II of this bill confirms and establishes the rights and claims of the forty-eight states, asserted and exercised by them throughout the Country's history, to the lands beneath navigable waters within State boundaries and to the resources within such lands and waters. Title III of the bill provides for the leasing by the United States of the lands in the continental shelf outside of State boundaries. Under this bill the State of California would receive all revenue from presently producing leases, since all of the presently leased lands are within the State's boundaries. Any development from the

continental shelf outside of the State's boundary would give the State 37½% of the proceeds with the United States retaining 62½%, which amount would be paid into the Treasury of the United States and credited to Miscellaneous Receipts.

While it is anticipated that H.R. 8137 will be passed by a substantial vote in the House of Representatives, it is not felt that this bill or a similar bill will have much opportunity of being passed this session in the Senate. In fact, the Senate Interior and Insular Affairs Committee headed by Senator O'Mahoney of Wyoming, is definitely holding up such a bill as this in the Senate. He is fronting for a compromise bill whereunder the Department of Interior would operate all properties involved in the controversy.

LITIGATION:

In the case of United States vs. California the Supreme Court in its Order and Decree of October 27, 1947, ordered that "the United States of America is now, and has been at all times pertinent hereto, possessed of paramount rights in, and full dominion and power over, the lands, minerals and other things underlying the Pacific Ocean lying seaward of the ordinary low water mark on the Coast of California, and outside of the inland waters, extending seaward three nautical miles and bounded on the north and south, respectively, by the northern and southern boundaries of the State of California. The State of California has no title thereto or property interest therein." The Supreme Court also reserved jurisdiction to enter such further orders and to issue such writs as may from time to time be deemed advisable or necessary to give full force and effect to this decree.

Subsequent to the Order and Decree, the Attorney General for the State of California in an answer to a petition by the Government agreed that there was need for prompt determination of the boundaries as to the segments designated by the Government (those segments where oil is being produced) but urged that there was also need for prompt determination of the precise California coastal boundary all the way from Oregon to Mexico. As a result of the petitions the Court on July 2, 1948 ordered that the Honorable D. Laurence Groner be appointed Special Master with authority to summon witnesses, issue subpoenas, and take such evidence as may be introduced and to call for such evidence as he may determine necessary. Thereafter hearings were held by Judge Groner but because of ill health Judge Groner asked the Supreme Court for release from his assigned duty.

On February 12, 1949, the Chief Justice of the Supreme Court appointed W. H. Davis, Esq., as Special Master. He was requested to make recommendations to the Court "with all convenient speed, as to what particular portions of the boundary call for precise determination and adjudication. Should the Master conclude that such adjudication should be made, he is also authorized to recommend to this Court appropriate proceedings to be followed in determining the precise boundary of such segments." Thereafter Mr. Davis held several conferences at which the State of California and the United States were represented. As a result of the submissions to him by the State of California and the United States, Mr. Davis made a report to the Supreme Court on May 31, 1949.

Following Mr. Davis' report of May 31, 1949, the Supreme Court requested Mr. Davis "to proceed with all convenient speed with respect to the seven coastal segments enumerated in groups I and II of the Master's report to consider; (1) A simplification of the issues; (2) Statement of the issues and amendments thereto in the nature of pleadings; (3) The nature and form of evidence proposed to be submitted, including admission of facts and of documents which will avoid unnecessary proof;

and report thereon to the Court".

As a result of the Court's direction, Mr. Davis, subsequently held several conferences with the State of California and the United States. The State of California has submitted a large compilation giving testimony of typical witnesses and citations of documents in support of the testimony. Subsequently a second submission was made by California giving the use to which each of the documents enumerated was to be put. Mr. Davis then submitted to the State and to the United States a preliminary draft of his proposed report to the Supreme Court. On June 1, 1950, Mr. Davis held another conference in Washington at which time this preliminary report was further discussed. At this conference he requested that any changes or modifications in his report be submitted to him. This is the present status of the hearings before the Master.

STIPULATIONS:

The Commission will recall that on July 26, 1947, the so-called Oil and Gas Production Stipulation was entered into between the Attorney General of the United States and the Attorney General of California. This stipulation was renewed in 1948 and again in 1949. The 1949 renewal calls for expiration of the stipulation 60 days after July 31, 1950, the 60 days being allowed in which to consider a further stipulation. A tentative date for the consideration of the renewal of the stipulation has been set for August 16th in Washington. The following pertinent items were discussed:

1. Should the stipulation be renewed in its present form? Solicitor General Perlman has advised that the Secretary of Interior has some changes to suggest.
2. Should the State now request allowance of cost of operation? These are estimated to be \$140,000 per year.
3. Will the U. S. demand that wildcatting be permitted? This would contravene present State law, and might if allowed prejudice the positions of the State that all waters inside the offshore islands (over-all unit area) are inland waters.
4. In absence of agreement, to what degree should the State compromise?

Honorable Everett W. Mattoon, Assistant Attorney General, furnished the Commission with a report on the several phases in the tideland controversy with the United States.

At this point, the Commission recessed for lunch. At 1:30 P.M. the Commission reconvened, at which time Controller Thomas H. Kuchel was also present.

Upon reconvening the Commission was advised that the following oil company representatives were in attendance:

H. J. March, Signal Oil & Gas Co. Southwest Exploration Company
Ernie E. Pyle, Jorgins Oil Company
Mervyn Phelan, Richfield Oil Corporation
Frank Morgan, Richfield Oil Corporation
R. T. Patton, Shell Oil Company, Inc.

Ralph Forch , Wilshire Oil Company
C. M. Curb, Continental Oil Company
J. M. Jessen, General Petroleum Corporation

Messrs. H. J. March and Ernie E. Pyle expressed concern of the oil companies over the fact that the stipulation of July 27, 1947, as extended, expires on July 31, 1950, subject to the 60 day period beyond that date for consideration of an additional extension. This concern was accentuated by unofficial statements out of Washington that the Secretary of Interior expects to take over tideland oil field management upon expiration of the present stipulation.

After further discussion by the oil company representatives, Assistant Attorney General Mattoon, the Executive Officer and staff, the Chairman stated that as far as the Commission was concerned it had had no communication from Secretary of Interior Chapman and thus was in no position to seek an early conference with him in advance of the one set for August 16, 1950, in Washington, D.C.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED WHEREUNDER THE WHOLE PROBLEM WOULD BE TAKEN UNDER ADVISEMENT.

5. (EXTENSION OF OIL AND GAS LEASE NO. 98 (303-1921) WM. L. APPLEFORD - ELWOOD OIL FIELD - SANTA BARBARA COUNTY - W.O. 730 - P.R.C. 428) The Commission was informed as follows: An application has been received from Wm. L. Appleford, Lessee under State Oil and Gas Lease No. 98 (303-1921, Elwood Oil Field) for renewal and extension of the subject lease. Lease No. 98 was issued July 29, 1930 for an initial period of twenty years and provides for extensions of additional periods of ten years under such reasonable terms and conditions as the State may determine and the law may provide at the time of renewal. The operating rights under the subject lease and any extensions thereof are held by the Signal Oil and Gas Company, a Delaware Corporation.

1. It has been proposed to the lease operator that the renewal and extension of Lease 98 be under the same terms and conditions as approved heretofore by the Commission for all other oil and gas leases renewed and extended in the Elwood Field. The amount of the recommended performance bond based upon the length of the existing operating pier would be \$75,000.00. The bases for the extension of the lease have been reviewed as to form by the office of the Attorney General.
2. The lessee has proposed an alternative oil royalty rate of 16 2/3%. This would yield to the State 4 1/6% more than the leases which have recently been renewed in this area because with the latter operations production is now and will not be of sufficient volume to invoke the sliding scale which would be effective in Lease 98 on account of the greater rate of production which prevails.

On an estimated basis of a minimum production of three million barrels for the 10 year lease renewal term and a value of \$2.70 per barrel for oil, a royalty rate of 16 2/3 would yield \$1,350,000.00 to the State compared to a total oil royalty of \$2,300,000.00 computed from the royalty schedule proposed by the staff.

Other primary lease provisions affecting royalty would be the same under either alternative. Specifically these are a royalty rate of 20% of the gross market