

having a credit balance on the records of the Division due to overpayment of royalties, would be presented to the Commission for action.

A claim from the following tideland lease operator, properly executed, has now been received and is herewith presented to the Commission for approval:

<u>Lessee</u>	<u>Easement No.</u>	<u>Amount</u>
Bankline Oil Company	89	\$40.88

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED AUTHORIZING APPROVAL OF REPAYMENT TO THE BANKLINE OIL COMPANY, HOLDER OF AGREEMENT FOR EASEMENT NO. 89, UNDER CHAPTER 303/1921 (NOW TERMINATED) OF THE AMOUNT OF \$40.88, SAID AMOUNT REPRESENTING THE OVERPAYMENT OF OIL ROYALTIES TO THE STATE TO AND INCLUDING JUNE 22, 1947, AND FURTHER AUTHORIZING THE EXECUTIVE OFFICER TO PRESENT THIS CLAIM TO THE STATE BOARD OF CONTROL WITH A RECOMMENDATION THAT SAID BOARD ALLOW THE AMOUNT SO CLAIMED TO THE LEASE OPERATOR HEREIN DESCRIBED.

13. (U. S. NAVY, APPLICATION FOR PERMIT FOR NON-RESTRICTIVE USE OF SCHOOL LANDS IN SALTON SEA, RIVERSIDE AND IMPERIAL COUNTIES - W.O. 1034, P.R. 597) The Commission was informed that the U. S. Navy, Eleventh Naval District has applied for a non-restrictive permit to use three parcels of State school land lying beneath the waters of the Salton Sea. These three parcels, the NE $\frac{1}{4}$ of the NW $\frac{1}{4}$, Section 16, T. 8 S., R. 10 E., Riverside County; N $\frac{1}{2}$ of the SW $\frac{1}{4}$, Section 16 and all of Section 36, T. 9 S., R. 11 E., Imperial County, all S.E.B. & M., comprise a total of 760 acres. Permit requested is for the purpose of occasional seaplane landing training operations during periods of instrument weather in the San Diego area.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED AUTHORIZING THE EXECUTIVE OFFICER TO ISSUE TO THE U. S. NAVY FOR A PERIOD OF ONE YEAR A PERMIT FOR THE NON-RESTRICTIVE USE OF THE NE $\frac{1}{4}$ OF THE NW $\frac{1}{4}$, SECTION 16, T. 8 S., R. 10 E., RIVERSIDE COUNTY, THE N $\frac{1}{2}$ OF THE SW $\frac{1}{4}$, SECTION 16, AND ALL OF SECTION 36, T. 9 S., R. 11 E., IMPERIAL COUNTY, ALL S.E.B. & M., COMPRISING 760 ACRES OF STATE SCHOOL LANDS BENEATH THE WATERS OF THE SALTON SEA, SAID PERMIT TO BE FOR THE PURPOSE OF OCCASIONAL SEAPLANE LANDING TRAINING OPERATIONS DURING PERIODS OF INSTRUMENT WEATHER IN THE SAN DIEGO AREA, AT NO FEE AND NO RENTAL, THE CONSIDERATION BEING IN THE PUBLIC GOOD.

14. (PROPOSED REVISION OF RULES AND REGULATIONS OF STATE LANDS COMMISSION - W.O. 278) The Commission was informed that on April 1, 1948, a study of the existing Rules and Regulations of the State Lands Commission was begun with a view to their rearrangement, amendment, and amplification so as to clarify their intent and broaden their coverage of the activities of the Commission. The attached draft of revised rules represents the individual and combined efforts of all members of the staff.

The Code of Administrative Procedure and the Government Code require that before any such revisions become effective a public hearing be held, pursuant to advertising. In view of the divergence of location of interests, it is believed best to conduct one hearing in Sacramento with special emphasis on School and U. S. lands, and a second one in Los Angeles for the benefit of the petroleum industry.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED AUTHORIZING THE EXECUTIVE OFFICER TO ADVERTISE AND CONDUCT PUBLIC HEARINGS FOR CONSIDERATION BY THE PUBLIC OF THE PROPOSED REVISIONS OF THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.

PROPOSED REVISIONS

TO

CALIFORNIA ADMINISTRATIVE CODE

TITLE 2, DIVISION 3

CHAPTER 1. STATE LANDS COMMISSION

- ARTICLE 1. General Provisions.
- ARTICLE 2. Leasing or Other Use of Lands.
- ARTICLE 3. Oil and Gas Operations.
- ARTICLE 4. Leases and Prospecting Permits for Minerals Other Than Oil and Gas.
- ARTICLE 5. Sale of School and Swamp and Overflowed Lands of the State.
- ARTICLE 6. Sale of Vacant United States Lands.
- ARTICLE 7. Procedures under Section 126, Government Code.

RULES AND REGULATIONS

ARTICLE 1. GENERAL PROVISIONS

SECTION 1900. OPERATING AND ADMINISTRATIVE AGENCY.

The Division of State Lands of the Department of Finance is the operating and administrative agency of the State Lands Commission and shall perform such duties and functions as may be directed by the Commission.

SECTION 1900.1. DEFINITIONS.

As used in this chapter unless the context otherwise requires:

- (a) The term "Commission" means the State Lands Commission.
- (b) The term "applicant" includes any person who files an application under these rules.
- (c) The term "person" includes any individual, firm, co-partnership, private corporation, municipal corporation, public or quasi-public corporation, county, city and county, district, political subdivision, department or other instrumentality of government.
- (d) The term "inspector" means any employee of the Division of State Lands duly authorized to act in that capacity.
- (e) The term "lease" includes a permit, easement or license.
- (f) The term "structure" means any construction works, including derricks, pipe lines, transmission lines, wharves, piers, slips, and warehouses; also units designed to act as groins, jetties, seawalls, breakwaters, or bulkheads.
- (g) The term "submerged lands" means the area lying below the elevation of low water in the beds of all tidal and of non-tidal navigable waters.
- (h) The term "tidelands" means the area lying between the elevation of low water and high water.

(i) The term "tidelands" includes all other classes of land which are neither submerged lands nor tidelands.

SECTION 1900.2. APPLICATION REQUIREMENTS.

Any person desiring to use or occupy any land under the jurisdiction of the Commission, except oil and gas lands, shall file with the Commission a written application containing:

- (a) Name, address and status of citizenship of applicant; if applicant is a corporation, the corporate name and name of president, secretary, and officer authorized to execute contracts.
- (b) A description of State lands involved.
- (c) A statement of the use proposed.
- (d) A statement of the character and use of adjoining lands.
- (e) Such other pertinent information as the separate articles hereof may require.

No applications for oil and gas leases may be filed. Such leases are issued only pursuant to published notice of intention to receive bids. For procedure, see Public Resources Code, Division 6, Part 2.

SECTION 1900.3. FILING FEE AND EXPENSE DEPOSIT.

(a) Each application shall be accompanied by a filing fee of \$5.00 (except in the case of a political sub-division or governmental agency from which no filing fee is required). This fee shall not be refunded if the application is accepted and filed.

(b) In addition to this filing fee, an expense deposit shall be made in an amount sufficient to cover the costs of the Commission in processing the application. This deposit shall be in the amounts specified in the separate articles hereof. Should such initial expense deposit be insufficient to cover said costs the applicant shall deposit with the Commission, upon written notice, such additional sum as may be specified.

(c) Any unexpended balance of the expense deposit shall be refunded to the applicant.

(d) The entire expense deposit of the original applicant shall be refunded whenever he is not the successful bidder pursuant to advertising. Costs of processing the application shall be borne by the successful applicant.

SECTION 1900.4. GUARANTY DEPOSITS.

The Commission may require deposits of either bond or cash to insure compliance with terms and conditions of bids, leases, or any other agreements.

SECTION 1901. OFFICE OF COMMISSION.

The principal office of the Commission and of the Division of State Lands is California State Building, 227, W. First Street, Los Angeles 12, California. Except as otherwise specified in Section 2110, all applications shall be addressed to the principal office.

SECTION 1902. MEETINGS AND APPEARANCES BEFORE COMMISSION.

(a) The Commission shall meet at its principal office on the last Thursday of each month unless the date and place of meeting are, upon due notice, otherwise designated by at least two members.

(b) Business to be presented to the Commission shall be filed with the Division of State Lands.

(c) Persons desiring to appear before the Commission should give notice of such intent at least ten days before the next regular meeting date.

SECTION 1903. RESERVATIONS.

(a) Whenever it appears that such action is in the public interest, the Commission may reject any application or bid or refuse to approve any work or to execute any lease or other instrument.

(b) The Commission reserves the right to deviate from the rules in this chapter whenever it determines that such deviation is in the public interest.

(c) The Commission may reject any application or bid if satisfactory evidence of ability to furnish all necessary sites and rights-of-way for all operations contemplated is not furnished.

SECTION 1904. EXECUTION AND DELIVERY OF DOCUMENTS.

(a) The Commission may execute, seal and deliver, any instrument in such manner and form as it deems appropriate to accomplish the desired purposes but no such instrument in whatever form shall be construed as conveying a fee title to tide or submerged lands owned by the State.

(b) Such instrument shall be signed by the applicant and attested or witnessed prior to its execution and delivery by or at the direction of the Commission.

SECTION 1905. INSPECTIONS.

Inspection of books, records, and accounts pertaining to leases, and of areas under lease and facilities thereon, may be made by inspectors of the Division of State Lands. Lessees shall provide means of access and other safe and reasonable facilities enabling the inspector to make inspections, but such inspections shall not relieve the lessees of full responsibility to discharge their lease obligations.

SECTION 1906. REMITTANCES.

Remittances to cover fees, rentals, or other payments shall be by cash, cashier's or certified check, postal money order, or personal check subject to collection.

ARTICLE 2. LEASING OR OTHER USE OF LANDS.

SECTION 2000. GENERAL.

(a) This article applies to leases of lands for commercial, residential, recreational, agricultural (including grazing), and all other uses except for the prospecting for or extraction of minerals, including oil and gas. Rules for operations under leases for the extraction of oil and gas or other hydrocarbons are to be found in Article 3 and those for mineral extraction leases are set forth in Article 4. All authorizations for use granted pursuant to this article are subject to the right of the State to grant separate leases for the extraction of minerals including oil or gas from the lands involved or for other uses not incompatible with the original lease.

(b) Applications for grazing and agricultural leases shall be addressed to the Division of State Lands at 1020 N Street, Sacramento, 14, California. Applications for other leases under this article shall be addressed to the principal office at 217 West First Street, Los Angeles 12, California.

(c) Applications relating to the same parcel of land shall take precedence in the order of their receipt at the designated office of the Commission.

(d) The minimum expense deposits required under the provisions of Section 1900.2 (b) as applied to leases under this Article shall be:

(1) For grazing and agricultural leases, and for leases for recreational use where the cost of the proposed installations exceeds \$500: \$25.00.

(2) For works within the purview of Sections 2001, and for those covered by Section 2002 and used for commercial purposes: \$75.00 plus 1/2% of the estimated cost of the proposed installations. The initial deposit need not exceed \$1,000.

(3) For residential use, and for recreational use where the cost of proposed installations does not exceed \$500; no deposit is required.

SECTION 2001. GROINS, JETTIES, ETC.

(a) Authority to construct or maintain groins, jetties, seawalls, breakwaters or bulkheads may be granted to political subdivisions of the State, or to private persons if applicant is a littoral owner.

(b) The Commission reserves the right to revoke any authorization issued under this section when, in its judgment, it is to the best interest of the public so to do.

SECTION 2002. LESSEES

(a) Leases to occupy tide and submerged lands or to construct or maintain thereon, wharves, docks, piers, water terminals, pipe lines, overhead transmission lines, bridges, and all other structures within the purview of this article, may be granted to the littoral owner or licensee thereof, or to political subdivisions of the State.

(b) Leases of other State lands for uses permitted under this Article may be issued to qualified applicants.

SECTION 2003. APPLICATION REQUIREMENTS.

(a) Forms for grazing and agricultural leases may be obtained from the Sacramento office of the Division of State Lands.

(b) No special forms are required for applications for other uses within the purview of this article.

(c) Applications for authority to construct or maintain structures enumerated in Section 2001, hereof, and to construct and maintain commercial structures covered by Section 2002 hereof shall include:

(1) A plat in triplicate, of the area desired, showing:

(a¹) Boundaries of parcel applied for, connected to a record survey by courses and distances.

(b¹) The outline of each existing structure on the property, each appropriately identified.

(c¹) Name and address of each record owner of adjoining property.

(2) Representative photographs of the lands to be occupied, and of any proposed structural sites and of areas immediately adjoining such sites.

(3) Plans and cross sections of the proposed structure or copies of drawings which may have been submitted to the Corps of Engineers, Department of the Army.

SECTION 2004. DURATION OF LEASES.

(a) The term for which any lease may be issued under this article shall not be less than one year.

(b) The term for which any grazing, recreational or agricultural lease for acreage may be issued shall not exceed five years.

(c) The term for which any residential, recreational or campsite lease for lots may be issued shall not exceed ten years.

(d) The initial term of any other lease under this article shall not exceed fifteen years.

(e) The lessee under an expired lease shall have a preferential right to a new lease upon such terms as the Commission shall determine.

SECTION 2006. RENTALS.

(a) Rentals for leases for grazing or agricultural purposes, or for leases for recreational use where the cost of the proposed improvements is less than \$500, shall be paid in advance for the full term of the lease.

(b) The first and last year's rentals for leases for all other uses within the purview of this article shall be paid in advance; rentals for intervening years shall be paid not later than 15 days after they become due.

SECTION 2006. TERMINATION.

Leases for grazing or agricultural purposes may be terminated by the Division of State Lands under the following conditions:

(a) Upon the sale of the leased premises: Under these conditions the lease shall terminate on the date that a patent is issued, except that when an application is filed by an actual settler to purchase land suitable for cultivation, the lease shall terminate on the date such application is filed.

(b) Upon the exchange of the leased premises for federal lands: In such a case the lease shall terminate on the date the State designates the lands as bases for indemnity selections.

(c) Upon the surrender of a lease thus terminated the lessee shall receive a refund of the unearned rental, or, at the option of the lessee, a new lease shall be issued for the balance of the unexpired term covering any land described in the surrendered lease not disposed of by the State.

SECTION 2041. REPAIR OF DAMAGED STRUCTURES.

Nothing in this article shall be construed to hinder or prevent the immediate repair or replacement of portions of damaged structures for which authorizations have been issued, provided such repair or replacement does not deviate materially from the approved plans of the structure. Prompt notice of intention to repair or replace portions of damaged structures shall be given the Division of State Lands.

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SECTION 2050. MARKER.

Where required by the terms of any lease or authorization, there shall be installed on each structure, a substantial brass marker not less than $2\frac{1}{8}$ inches in diameter inscribed "State Lands Commission (application file number), (structure letter), (type of structure)".

The marker will be installed under the direction of the Division of State Lands; all costs involved shall be defrayed from the expense deposit.

SECTION 2051. WARNING SIGN.

Where required by the terms of any lease or authorization, warning signs and appropriate markers shall be installed and maintained to show the location of partially or wholly submerged structures. Such signs and markers shall conform to the requirements of the United States Coast Guard or other bodies having jurisdiction over navigation and safety.

SECTION 2060. APPROVAL OF PLANS.

The Commission may approve or disapprove any plans submitted or authorize such action. Approval of plans shall be by endorsement thereon.

SECTION 2061. CONSUMMATION OF LEASE.

(a) The Commission shall determine the term of occupancy, amount of rental and other consideration, and the amount of bonds, if required; the Commission may then authorize the execution and delivery of the appropriate instrument permitting occupancy of the land for the approved purposes, subject to the payment and delivery of all fees, costs, bonds, rent or other consideration required by these rules.

(b) The effective date of the beginning of any lease shall be that of the date of authorization by the Commission unless specifically designated otherwise.

ARTICLE 3. OIL AND GAS OPERATIONS.

SECTION 2200. ISSUANCE OF PERMITS AND LEASES.

No prospecting permit shall be issued for oil, gas or other hydrocarbons. Leases for oil, gas or other hydrocarbons are issued only pursuant to published notice of intention to receive bids.

SECTION 2201. RECORDS.

Upon request by the Division of State Lands lessees shall furnish the following records in the manner and form prescribed:

(a) Maps and drawings of all development work, improvements, and other related operations on the leased lands, including all buildings, structures, or other works placed in or upon them;

(b) Maps and drawings of all development work related to the surface location of any producing well under a lease, including oil lines, gas lines, tankage, shipping points, facilities for shipping, dehydration piping and all lines connecting into any of the foregoing;

(c) Copies of logs, surveys and all ^{similar} other records of all wells in the leased lands.

SECTION 2202. ALTERATION OF FACILITIES.

Any proposed change in, or addition to, pipe line systems or any proposed installation or removal of equipment shall be reported to the State inspector giving the reason for such proposed change, addition, installation or removal at least twenty-four hours prior thereto. Plans and drawings showing the change shall be furnished to the Division of State Lands upon request.

SECTION 2210. TANKAGE.

(a) All oil shall be stored in tanks suitable for accepted methods of calibration, gauging and sampling as expressed by the American Petroleum Institute Code.

(b) Tanks shall be equipped with such safety devices and fire walls as are required in the area in which such tanks are located.

(c) Sufficient tankage shall be provided by the lessee.

(d) No tank trucks, trailers or tank cars will be gauged unless proper certified gauge tables or other adequate evidence of container capacity is presented to the inspector and approved by him in advance of use.

(e) Sediment and other material deposited on or near the bottom of tanks shall be removed at the request of the inspector to permit proper gauging and sampling.

(f) All gauge tanks shall be strapped and calibrated by a disinterested party. The process shall be in accordance with that expressed in the A. P. I. Code. Strapping and calibration of gauge tanks by a representative of an interested party may be permitted only upon advance notification of such action to and approval by the Division of State Lands.

(g) When tanks are to be strapped or restrapped, the inspector shall be notified at least 24 hours in advance to permit him to be a witness to the procedure.

(h) All tanks shall be calibrated in barrels (of forty-two gallons per barrel) and the volume expressed in gauge tables computed to the nearest one-hundredth of a barrel for each $1/8$ of an inch in tank height, or in accordance with the procedure expressed in the A. P. I. Code.

(i) Gauge tables in duplicate for each gauge tank shall be furnished to the Division of State Lands immediately upon preparation. Additional sets of gauge tables shall be furnished to the Division of State Lands upon request.

SECTION 2220. SEALING OF TANKS.

(a) At the time of taking the high gauge of a tank the inspector shall seal or lock all inlet lines to the tank and any seals on the tank outlet

line shall be removed.

(b) At the time of taking the low gauge of a tank the inspector shall seal or lock ~~all~~ outlet ^{lines} / from the tank and any seals on the inlet line shall be removed.

(c) In the event any such State tank seal is removed, except by those authorized to do so, the full capacity of the tank will be considered to have been run and payments shall be made to the State for this presumed run at the rate then prevailing for oil of the highest gravity run from the tank during the previous thirty days.

(d) Under no circumstances shall any person other than the inspector remove, break, or alter, any seal or lock installed by the State unless the written consent of the inspector in charge of the field is first obtained. Where operations require, seals on bleeder valves and meter bypasses may be removed on the condition that such removal and the time thereof are reported on the applicable ~~any~~ operating reports. Failure to report such removal may result in the rescission of permission to the operator to remove seals from bleeder valves and meter bypasses under any operating conditions.

SECTION 2221. SHIPMENTS FROM SUMPS OR PITS.

Before any shipment of fluid is made from any sump or pit, notice shall be given to the inspector. The quantity and quality of the fluid shipped from any sump or pit shall be determined by the inspector. In the event that any fluid is shipped from any sump or pit without such determination by the inspector, the full capacity of the sump or pit will be considered to have been run and payments shall be made to the State for this presumed run at the rate then prevailing for oil of the highest gravity run from the lease during the previous thirty days.

SECTION 2230. CONDITION OF OIL.

(a) Previous to a high or opening gauge all free water shall be drawn from the tank.

(b) All oil to be gauged and shipped shall be in a marketable condition, i. e., the percentage of Bottom Sediment and Water as shown on test shall not exceed 3%, if dehydration or cleaning costs are to be allowed.

(c) Where a tank sample shows a B. S. & W. content greater than 3% and the contents are shipped, the gravity of the wet oil shall be reduced to dry gravity and the dry gravity shall form the basis of payment of the State royalty.

(d) Where an adjustment is made from a wet gravity to a dry gravity, the adjustment shall be made by the calculation of the A. P. I. gravity of the oil in the mixture or emulsion or by means of the correction chart published by the Division of State Lands for that purpose, such chart being known as "Gravity of Oil in Mixtures or Emulsions of Oil and Water". In all adjustments of gravity by calculation, or the use of a correction chart, the specific gravity of the water in the mixture or emulsion shall be considered as 1.0000 at 60 degrees Fahrenheit unless prior written approval has been secured for another value of specific gravity as determined by tests of the water produced.

SECTION 2240. GAUGING AND SAMPLING.

(a) Gauges shall be taken by an inspector in the company of a representative of the lessee. In the event of disagreement, gauges shall be re-taken, the average of which shall be binding. In the event that a representative of the lessee is not present, gauges taken by the State shall be binding on the lessee.

(b) Gauges shall be taken as specified in the A. P. I. code.

(c) Temperature of the oil in a tank shall be taken at the time of gauging with a standard thermometer which shall be immersed not less than 2

minutes at or about the midpoint of the column of oil, not less than 12 inches from the tank shell, and in the manner expressed in the A. P. I. code.

(d) Samples for laboratory testing shall be taken at the time of the high or opening gauge.

(e) The method of sampling shall correspond with the method expressed in the A. P. I. code.

(f) A sample shall consist of one liquid quart and the means for taking such sample shall be furnished by the lessee.

SECTION 2250. LABORATORY TESTS.

(a) All laboratory tests shall be made in accordance with the procedure expressed in the A. P. I. Code and shall consist primarily of the gravity and B. S. & W. content determination. Samples for laboratory tests shall be furnished by the lessee as required by the State.

(b) Laboratory tests shall be run not later than 24 hours after the time of taking the samples.

(c) The readings and results of tests of oil samples made by the State shall be binding upon the lessee.

SECTION 2260. RECORD OF OIL RUN.

(a) A memorandum of transfer shall be furnished the State for each run of oil from lessee's gauged tanks within 24 hours of the completion of such run.

(b) For each run of oil from the lessee's gauged tanks a copy of an official "Gauger's Report of Oil Run" will be furnished to the lessee.

SECTION 2270. QUANTITY DETERMINATION.

The volume of oil run shall be the volume corrected to 60 degrees Fahrenheit according to the schedule "Abridged Volume Correction Table for Petroleum Oil" approved by the A. P. I.

SECTION 2280. TESTS AND MEASUREMENTS OF GAS.

(a) Gasoline content tests shall be made by or for the lessee at least once a month and at such other intervals as appear to be necessary in the opinion of the inspector.

(b) An inspector shall be permitted to witness any tests for the gasoline content of casinghead gas.

(c) All tests and measurements of gas shall be in accordance with the procedure expressed by the C. N. G. A. in Bulletins T. S. 351, T. S. 353, T. S. 354, and any revisions thereof.

SECTION 2290. PRODUCTION REPORTS.

(a) A daily report in the form prescribed by the Division of State Lands shall be furnished within 4 hours of the close of the lessee's operating day.

(b) Monthly reports shall be furnished to the Division of State Lands as required.

SECTION 2300. REDRILLING OPERATIONS.

No oil or gas well shall be redrilled except upon prior approval of the Division of State Lands. No application to redrill a well shall be approved unless it is shown that such redrill is necessary and in the public interest, and then only provided that:

(a) No point in the redrilled portion of the well, including the bottom thereof, shall be more than 100 feet from the original hole;

(b) No point in the redrilled hole shall be closer than 50 feet to the blanked off portion of any well, other than the well to be redrilled;

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(c) All redrilling within an oil zone shall be done with any standard circulating medium as used in good engineering practice and as approved specifically by the Division of State Lands.

(d) In case any point in the redrilled hole may come within 200 feet of the portion open to production of any well, other than the well to be redrilled, the applicant shall file with the Division of State Lands -

- (1) Written consent from the operator of each well within said 200 feet, waiving any objection to the proposed redrilling operations;
- (2) For each well, within said 200 feet, a surety bond, in an amount to be fixed by the Commission but in no instance less than \$25,000.00, indemnifying the State against any loss, damage, claim, demand or action caused by or connected with the redrilling operations.

SECTION 2301. DRILLING OPERATIONS.

(a) No lessee shall drill an oil or gas well on State lands except on prior approval of the Division of State Lands and subject to the terms of the enabling statute and lease and then only provided that any well so drilled within any oil zone, shall be 50 feet away from the blanked off portions of any well not within control of the lessee and at least 200 feet away from the perforated section of any well not within the control of the lessee.

(b) As a preliminary condition to approval of the drilling of a well, the lessee shall submit the proposed course of the well with vertical and horizontal projections of said course drawn upon graph paper to a scale of 100' to the inch. Upon completion of the well, the lessee shall file with the Division of State Lands a complete survey of the well, electric log,

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well history, driller's log and all core data.

SECTION 2302. PERFORATIONS, PLUG BACKS AND RE-PERFORATIONS.

For any well to be perforated or plugged back and re-perforated within 200 feet of any well not within the control of the lessee, lessee shall file with the Division of State Lands:

(a) Written consent from the lessee of each area containing any well within said 200 feet, waiving any objection to the proposed plug back and re-perforating operations; or;

(b) For each well within 200 feet of any well or wells a corporate surety bond in an amount to be fixed by the Commission, but in no instance less than \$10,000.00 for each application, indemnifying the State against any loss, damage, claim, demand or action, caused by or connected with the plug back, perforation or re-perforation operations.

SECTION 2303. DRILLING FLUID.

All drilling, re-drilling, perforating, or re-perforating operations within any oil zones shall be done with any standard circulating medium as used in good engineering practice and as approved specifically by the Division of State Lands. Whenever, in the opinion of the inspector, circulation is lost the lessee shall immediately start pumping into the hole oil of the quality of that in the formation being drilled.

SECTION 2304. WASHING PERFORATIONS.

Whenever the production of a well is determined to have been decreased because of the plugging of the well's perforations, the inspector may require the lessee to wash the well with light refined oil, such as kerosene, distillate, or high gravity crude.

SECTION 2310. ACCOUNTING FOR ROYALTY.

(a) No allowance shall be made for cost of dehydration unless specifically authorized in an existing lease, in which event the allowance shall be the actual cost of dehydration not to exceed 5 cents per net barrel of oil so dehydrated, or the allowance as specified in the lease, whichever is the lesser. Allowance for dehydration will be granted only after lessee has filed with the Division of State Lands an application in duplicate requesting the right to make deduction for dehydration, setting forth the method proposed to be employed and listing the equipment and value thereof installed exclusively for the dehydration of the oil produced from State oil and gas leases. After approval of the application, each operator shall file with the Division of State Lands before the tenth of the month subsequent to that for which dehydration deduction is requested, a detailed statement of the actual cost of dehydration proposed to be deducted from the gross royalty payable for the preceding month.

(b) Tank bottoms and sump oil shipments are to be reported on the following value basis:

Shipments of 0.0% to 3.0% cut - quoted market price for applicable dry gravity.

Shipments of 3.1% to 15.0% cut - quoted market price for applicable dry gravity less 5 cents per gross barrel at 60 degrees Fahrenheit.

Shipments of 15.1% cut and up - quoted market price for applicable dry gravity less 15 cents per gross barrel at 60 degrees Fahrenheit.

(c) All transfers of dry gas "Returned to Lease" or elsewhere, made by an operator directly or indirectly for the use or benefit of other leases or of third parties, will be considered as sales under the terms of the lease.

(d) Whenever under Section 2303 crude oil is used as a circulating medium, the operator shall be allowed a credit of twenty-five percent of the volume of any foreign circulating oil used. This credit shall be deducted;

from the total number of barrels produced from the well during the thirty-day period immediately following the well's completion. Foreign circulating oil is any oil not produced from the specific lease of the affected lessee.

(e) Whenever the State shall require the operator to use foreign oil to wash perforations of a producing well, (Section 2304) the operator shall be allowed credit of 50 per cent of the volume of the oil used in such washing as a deduction from the total number of barrels produced from the well during the period of 30 days immediately succeeding such operations. The value of said oil shall be that fixed by the lease for the quality and gravity of the oil so produced. Foreign oil is any oil not produced from the specific lease of the affected lessee.

SECTION 2330. DILIGENCE OF OPERATION.

All wells capable of producing oil, gas or other petroleum products in commercial quantities shall be operated continuously at the maximum efficient rate of recovery as determined by recognized engineering standards and in accordance with field production schedules acceptable to the Division of State Lands, unless written authorization is otherwise granted.

ARTICLE 4. LEASES AND PROSPECTING PERMITS FOR
MINERALS OTHER THAN OIL AND GAS

SECTION 2400. CHARACTER AND EXTENT OF LANDS.

(a) Lands subject to lease include:

- (1) Those containing known deposits of minerals;
- (2) Those embraced in a prospecting permit not subject to preferential leases.

(b) For tide and submerged lands and those underlying navigable streams and lakes the Commission may determine the extent thereof subject to lease under any application. For all other lands the application shall be for a compact area and may include any number of acres not in excess of 160.

(c) The Commission may include in its lease offer, areas adjacent to that for which application has been made, should it determine that such additional areas contain commercially valuable mineral deposits.

(d) Lands subject to prospecting permits are those not classified by the Commission as containing commercially valuable mineral deposits.

SECTION 2401. DURATION OF LEASES AND PERMITS.

(a) Leases (both preferential and bid) may be issued for a term of twenty years, with option of renewal for successive periods of ten years upon such terms and conditions as may be prescribed by the Commission at the time of renewal.

(b) Prospecting permits are limited to a period not exceeding 2 years, extendable for a period of an additional 1 year at the discretion of the Commission.

SECTION 2410. PROSPECTING PERMIT PROCEDURES.

(a) Each application for a prospecting permit shall contain the data required in Section 1900.2; also a statement of the nature of the deposits for which a prospecting permit is desired.

(b) If the applicant has posted a notice on the lands and recorded a copy thereof, as provided by Section 6892 of the Public Resources Code, the application shall so state, describing the monument erected on the lands, giving the location thereof, and stating the dates of posting and recording. The recorded copy of the notice shall be attached to the application.

(c) The application shall be accompanied by a filing fee, and a deposit equal to the amount of \$1.00 per acre for each acre within the desired permit area, as provided in Section 1900.3 (a) and (b).

(d) Upon the acceptance of an application, the Commission shall determine the royalty rate to be paid under any ensuing preferential lease.

(e) Upon authorization by the Commission, permit forms shall be submitted for the applicant's acknowledged or witnessed execution.

SECTION 2420. PREFERENTIAL LEASE PROCEDURES.

(a) At any time during the life of a permit, the permittee may apply for a preferential lease upon discovery of a commercially valuable deposit of minerals within the permit area.

(b) An application under this section shall contain, in addition to the data required in Section 1900.2, an affidavit of some responsible person having knowledge of the facts averring that a commercially valuable mineral deposit has been discovered within the permit area.

(c) No lease shall be issued for unsurveyed lands. Upon request of the applicant, accompanied by a deposit of an amount sufficient to cover the costs of a survey, surveying services will be rendered by the Division of State Lands.

(d) Upon determination by the Division of State Lands that a commercially valuable mineral deposit has been discovered and that the applicant is entitled to a preferential lease, the Commission may, subject to the payment of the rental for the first year, authorize the execution and delivery of an appropriate lease.

SECTION 2430. PROCEDURES FOR NON-PREFERENTIAL LEASES.

Lands known to contain commercially valuable deposits of minerals, not subject to a preferential lease under a prospecting permit, may be leased pursuant to a published notice of intention to receive bids.

SECTION 2455. STATEMENTS AND REPORTS.

On or before the 15th day of each month, a lessee or permittee shall deliver to the Division of State Lands statements in the form prescribed, showing the work performed upon the leased or permitted area and the amount, quality, and value of all minerals produced, shipped or sold during the preceding calendar month. Longer intervals for such reports may be authorized but such authorization shall be granted only in writing and may be revoked or changed at any time upon written notice to the lessee or permittee.

ARTICLE 5. SALE OF SCHOOL AND SWAMP
AND OVERFLOWED LANDS

SECTION 2500. GENERAL.

(a) Lists of the public lands which may be sold by the State Lands Commission can be obtained from the office of the Division of State Lands at 1020 N Street, Sacramento 14, California.

(b) No application to purchase lands shall be filed for lands not contained in the aforementioned list.

(c) Lands suitable for cultivation without artificial irrigation may be sold only to actual settlers and in quantities not exceeding 320 acres to each settler.

(d) Applications to purchase lands shall embrace lands in one county only and in no more than one United States Land District. Where desired lands lie in more than one county or one United States Land District, separate applications to purchase such lands shall be filed for each county or land district involved.

(e) Lands within the exterior boundaries of a military or Indian reservation shall not be sold.

(f) In accordance with law, every occupant of a sixteenth or thirty-sixth section is protected in his occupancy for three months after the township has been sectionized.

(g) The State makes no guarantee of ingress or egress through lands adjoining those applied for.

SECTION 2501. APPLICATIONS.

To qualify as a bona fide applicant, and obtain the rights enumerated under Section 2502 (d), a person shall tender to the Sacramento office of the Commission his complete application on the form prescribed, accompanied by a filing fee and expense deposit of \$100 - See Section 1906.9 (a) and (b) - and the full amount of his offer. The minimum acceptable offer shall be \$2.00 per acre for lands not within the exterior boundaries of a national forest, national park or national monument, or not within the exterior boundaries of lands withdrawn from public entry for forest purposes; for the excepted classes of lands the minimum acceptable offer shall be \$5.00 per acre.

SECTION 2502. UNOCCUPIED LANDS NOT SUITABLE FOR CULTIVATION.

(a) Upon filing of a bona fide application, an appraisal will be made by the Division of State Lands. In the event the offer of the first bona fide applicant is less than the appraised value, and written notice to that effect shall be given him, said applicant shall have the opportunity to amend his offer and, should he fail to increase his offer, the application shall be cancelled.

(b) Upon receipt of the amended application, the lands shall be advertised for sale. The advertisement shall state a minimum price which the Commission will consider which shall be the minimum acceptable offer specified in Section 2501, or the appraised value, whichever is the greater. During a period of thirty (30) days following the date of said advertisement, any qualified person may file an application for said lands, subject to the rights of the first applicant. Each applicant may make as many different bids as he may desire, which bids must be in writing, sealed and delivered to the Division of State Lands at Sacramento, before 4:00 P.M., of the thirtieth (30th) day following the date of advertisement.

(c) Should the first applicant withdraw his offer to purchase the land for which he made an expense deposit and no other application or bid is received during the thirty (30) day period following the advertising, then all costs of processing the application shall be borne by him.

(d) In the event the first applicant is not the highest bidder, he shall be given twenty days from date of opening of bids within which to make payment of the additional amount necessary to meet the highest qualified bid. Should he fail to make such payment, the highest qualified bidder shall be recommended to receive the award.

(e) The appraisal and all offers received pursuant to such advertising shall be reviewed by the Division of State Lands which shall then fix the price at which the land shall be recommended to be sold. Such price shall be exclusive of costs of appraisal, advertising, patent fees, filing fees, etc., and shall not be less than the minimum price as advertised, nor less than the highest qualified bid received.

(f) The Commission shall then review the recommendations of the Division of State Lands and make final award or take such other action as public interest indicates.

(g) The successful bidder shall pay all costs incident to the sale which shall include but are not limited to appraisal, advertising and patent fees. The unsuccessful applicants shall be entitled to a refund of all moneys deposited except the \$5.00 filing fee.

SECTION 2503. OCCUPIED LANDS.

(a) Bona fide settlers on lands suitable for cultivation who settle thereon prior to date of approval of the official plat of survey, have ninety (90) days preference right after such date of approval for the filing of applications to purchase the lands.

(b) Bona fide settlers occupying lands suitable for cultivation for which plats of survey have been approved shall have only sixty (60) days preference rights after date of settlement within which to file their applications.

(c) Such applicants must have resided on and occupied such lands in accordance with law for a period of at least one full year before the sale can be authorized by the Commission.

(d) In accordance with law, if such lands are determined by the Commission to be unsuitable for cultivation, the occupant shall be a preferred purchaser for a period of six (6) months from the date of the decision.

(e) Sales of occupied lands shall be accomplished by negotiation by the Division of State Lands and shall be subject to all of the provisions of this Article except Section 2502, hereof. The Commission shall make the final award or take such other action as public interest indicates.

SECTION 2504. APPLICATIONS TO PURCHASE LANDS BY OTHERS THAN INDIVIDUALS.

Applications to purchase lands by corporations, by the United States or an agency thereof, by the State or an agency thereof, or by any of its political subdivisions, must be made in the name of the purchaser, subscribed and sworn to by the authorized officer thereof, whose authorization must accompany the application. The seal of the purchaser, if any, must be affixed.

ARTICLE 6. SALE OF VACANT UNITED STATES LANDS.

SECTION 2525. QUALIFICATION OF APPLICANT.

Vacant United States Government lands, which have been surveyed and are non-mineral, unappropriated and unreserved, may be purchased by any person who is a citizen of the United States or has filed his intention to become a citizen of the United States. Such lands may be purchased by other qualified applicants as provided by law.

SECTION 2526. APPLICATIONS.

(a) Applications under this Article shall be submitted to the Division of State Lands, 1020 N Street, Sacramento 14, California.

(b) An applicant desiring to purchase such lands shall accompany his application, which shall include a legal description of the land, with all papers and documents on forms prescribed by the Division of State Lands and the Department of Interior. He shall furnish a certified check or money order, payable to the Treasurer of the United States, in the amount of \$2.00 for each 160 acres or fraction thereof applied for. In addition, the application must be accompanied by a filing fee and an expense deposit of \$100.00, (see Section 1900.3) and the amount of the minimum initial offer of \$5.00 per acre for the lands applied for.

(c) Where lands to be applied for lie in more than one county or one United States Land District, separate applications to purchase such lands shall be filed for each county or land district involved.

SECTION 2527. PROCEDURE.

(a) Upon compliance by the applicant with the provisions of this article and of law, the Division of State Lands shall forward to the

District Office of the United States Bureau of Land Management a State application that the land applied for be listed to the State in lieu of the bases surrendered.

(b) Upon notification by the local office of the Bureau of Land Management that the State's application for lands applied for has been allowed, the land will be appraised by the State. After appraisal the price will be fixed at \$5.00 per acre or at the appraised value, whichever is the greater. The price so fixed shall be the price the prospective purchaser shall be required to pay.

(c) In the event the price fixed exceeds the applicant's original offer and he fails to increase said offer to the price set within 20 days after issuance of written notice, his application shall be cancelled and the application of the State to select the land shall be withdrawn if the Commission so elects. The applicant shall be entitled to a refund of the deposits placed by him less costs incurred by the Division of State Lands in processing the application.

(d) If the offer is increased sufficiently within the prescribed period to meet the price established, and all other requirements of the law and this article have been met, publication of Notice of Sale will ensue. After the required period following such publication the application will be presented to the Commission for approval. Upon approval by the Commission a Certificate of Purchase for the land will be issued in the name of the applicant.

(e) Upon listing of the land to the State by the United States, and surrender by the applicant of Certificate of Purchase, a patent to the land will be issued to the applicant, and any remaining balance of his expense deposit will be refunded.

ARTICLE 7. PROCEDURES UNDER SECTION 126,
GOVERNMENT CODE.

SECTION 2700. REQUEST FOR HEARING.

Any interested person, including an agency or department of the United States or the Attorney thereof, may by writing filed with the Commission at least 10 days before the next regular meeting request a public hearing to determine whether the conditions and reservations respecting consent to acquisition have been met. The Commission may on its own motion order that a public hearing be held for such purposes.

SECTION 2701. PUBLICATION OF NOTICE; COST.

Upon determination by the Commission that a public hearing should be held, the Executive Officer shall prepare the necessary Notice of Hearing and shall ascertain the cost of publication and service thereof. After receipt of a statement from the applicant that the cost of publication and cost of service of Notice will be borne by the United States, the Executive Officer shall cause the Notice to be published and served as provided in Rule 2702.

SECTION 2702. NOTICE; CONTENTS AND SERVICE.

Not more than 30 and not less than 15 days before hearing, Notice of Hearing shall be published, and personal service shall be made not less than 10 days before hearing. Affidavit of publication and return of service shall be filed with the Commission before hearing. The Notice shall be entitled "Notice of Hearing to Determine Compliance with Conditions and Reservations of Consent by the Legislature of California to Acquisition by the United States of Land Popularly Known as _____." If the land is not

known by popular name, the Notice shall refer to "Certain Land situated in _____ County (ties)." The Notice shall contain a legal description of the land and shall set forth the time and place of hearing, which place, unless the Commission otherwise directs, shall be the Commission office in or nearest the county in which the land is situated. The Notice shall recite that hearing shall be had pursuant to Government Code Section 126, and amendments, if any, and shall advise that interested parties may appear personally or through counsel and may present evidence on the issuance of compliance, pursuant to rules and regulations of the Commission.

SECTION 2703. PROCEDURE ON HEARING ARGUMENT.

Unless otherwise ordered by the Commission, the person requesting hearing as provided in Rule 2700, shall present material evidence in support of his application. After such person rests, any other interested person may present any material evidence in support of or in opposition to such application. The Commission may in its discretion limit cumulative evidence and may refuse or allow argument, and in case of allowance, may limit the same.

SECTION 2704. EVIDENCE.

Oral evidence shall be taken only on oath or affirmation. The hearing need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence.

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over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions. Hearsay evidence may be received upon a showing satisfactory to the Commission of the difficulty of obtaining direct evidence.

The statutory authority for these sections is:

Government Code Section 126.

15. (SALE OF VACANT SWAMP LAND, SWAMP AND OVERFLOWED LAND LOCATION NO. 1256, SAN BERNARDINO COUNTY - WILLIAM B. SOTO - SAC. W.O. 5190) The Commission was informed that an offer has been received from Mr. Soto of Los Angeles, California, to purchase the NW $\frac{1}{4}$ of SE $\frac{1}{4}$, S $\frac{1}{2}$ of SE $\frac{1}{4}$ and Lots 6 and 7 of Section 24, and the NE $\frac{1}{4}$ of NE $\frac{1}{4}$ and Lots 10 and 11 of Section 25, T. 11 N., R. 21 E., and Lot 1 of Section 19, and NW $\frac{1}{4}$ of NW $\frac{1}{4}$, S $\frac{1}{2}$ of NW $\frac{1}{4}$, NE $\frac{1}{4}$ of SW $\frac{1}{4}$ and Lots 4, 5, 6, 7, 8 and 9 of Section 30, T. 11 N., R. 22 E., S.B.M., containing 647.80 acres in San Bernardino County.

Mr. Soto has made an offer of \$1,619.50 or \$2.50 per acre. The Assessor of San Bernardino County has assessed contiguous land at \$1.00 to \$2.00 per acre, thus indicating an appraised value of the land of \$2.00 to \$4.00 per acre. An appraisal by the Commission's staff indicates that the offer as made is adequate.

Subject land is heavily covered by willow trees and dry grass, was largely dry when inspected at time of low water in the river but has indications of being at least partially covered with water at other seasons. Soil is silt, rich alluvial deposit but difficult to use without heavy clearing and protecting with levees. Appraised value, \$2.50 per acre.

The land was advertised for sale with a stipulation that no offer of less than \$1,619.50 would be accepted. Mr. Soto bid \$1,619.50.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED AUTHORIZING THE SALE OF THE NW $\frac{1}{4}$ OF SE $\frac{1}{4}$, S $\frac{1}{2}$ OF SE $\frac{1}{4}$ AND LOTS 6 and 7 OF SECTION 24, AND NE $\frac{1}{4}$ OF NE $\frac{1}{4}$ AND LOTS 10 AND 11 OF SECTION 25, T. 11 N., R. 21 E., AND LOT 1 OF SECTION 19, AND NW $\frac{1}{4}$ OF NW $\frac{1}{4}$, S $\frac{1}{2}$ OF NW $\frac{1}{4}$, NE $\frac{1}{4}$ OF SW $\frac{1}{4}$ AND LOTS 4, 5, 6, 7, 8 AND 9 OF SECTION 30, T. 11 N., R. 22 E., S.B.M., TO THE SINGLE BIDDER MR. SOTO AT A CASH PRICE OF \$1,619.50, SUBJECT TO ALL STATUTORY RESERVATIONS, INCLUDING MINERALS.

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