

A regular meeting of the State Lands Commission was held in Room 5100 State Capitol, Sacramento 14, California, on Thursday, December 17, 1953, at 8:30 a.m.

Present: Robert C. Kirkwood, Chairman  
John M. Peirce, Member  
Harold J. Powers, Member

Staff Members in Attendance:

Rufus W. Putnam, Executive Officer  
J. Stuart Watson, Assistant Executive Officer  
F. J. Hortig, Mineral Resources Engineer  
A. P. Ireland, Supervising Land Title Abstractor  
Kenneth G. Smith, Supervising Land Title Abstractor  
Elsie F. Latta, Acting Secretary

Others in Attendance:

For Item 4 - Oil and Gas Legislation

G. F. Schroeder, Standard Oil Company of California

For Item 20 - Submarine Geophysical Exploration

C. H. Andrews, Member, Ventura County Board of Supervisors  
L. A. Price, Supervisor, Ventura County  
Willard Smith, Supervisor, Orange County

For Items 20, 21 and 22 - Submarine Geophysical Exploration

L. N. Waterfall, Union Oil Company of California

For Item 29 - Stipulation, Tideland Controversy

Leonard M. Friedman, Department of Justice, Sacramento  
Frank Mackin, Department of Justice, Los Angeles

1. UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE MINUTES OF THE MEETING OF OCTOBER 27, 1953, WERE CONFIRMED AS SUBMITTED.

2. UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS DECIDED THAT COMMISSION MEETINGS SHOULD BE HELD ON THE LAST THURSDAY OF EACH MONTH IN SACRAMENTO, UNLESS SCHEDULED OTHERWISE, AND THAT EACH MEMBER SHOULD BE CONTACTED TEN DAYS PRIOR TO THE REGULAR MEETING DATE FOR CONFIRMATION OF TIME AND LOCATION OF THE MEETING.

3. (PROPOSED UNIT OPERATING AGREEMENT, DOW CHEMICAL COMPANY, VISTARIO CORPORATION, THE CAPITAL COMPANY, P.R.C. 729.1, SACRAMENTO COUNTY - W.O. 1512.) An application has been received from the Brazos Oil and Gas Company on behalf of the Dow Chemical Company and the Vistario Corporation for approval of inclusion of a portion of the lands leased to Brazos Oil and Gas Company under Gas Lease P.R.C. 729.1, within a unit operating agreement. The area proposed for inclusion within the agreement is that portion of the lands leased from the State which is considered as productive within the limits of the River Island Field. Assignment of Lease P.R.C. 729.1 from Brazos Oil and Gas Company to Dow Chemical Company and the Vistario Corporation jointly has been approved heretofore and is in process. Approval by the Commission of inclusion of State lands in a unit plan of development is authorized under Section 4532, Public Resources Code, whenever it is determined by the Commission to be necessary or advisable in the public interest. Such agreements are also subject to approval by the State Oil and Gas Supervisor under Section 3301, Public Resources Code, whenever the Supervisor finds that it is in the interest of the protection of oil or gas from unreasonable waste.

Under the proposed unit agreement, approximately 60 acres of State land under Gas Lease P.R.C. 729.1 would be operated in conjunction with 130 acres of land owned by the Capital Company, and also under lease jointly to the Dow Chemical Company and the Vistario Corporation. Royalty would be paid to the State on that portion of the gas production from the total operating area in the proportion that the productive capability of the State land bears to the productive capability of the entire unit area. This proportion has been computed at 21.02% and has been verified by the Staff as reasonable. The royalty rates payable to the State and the minimum production requirements would continue to be determined by the terms and conditions of the original lease. Distribution of royalties on production would continue for so long as there is any production from either of the leases within the unit agreement. This feature appears to be a definite prospective advantage to the State in assuring continuing participation in River Island Field production. Independent production of the State lease could result in only comparatively short-term participation, because of excessive gas withdrawals by other operators on adjoining properties. The proposed unit would promote conservation and would enable the operator to approach the greatest ultimate economic recovery of gas from the operating area, while assuring an equitable share of the production to all participants in the unit agreement. The unit agreement would become effective on the first day of the first calendar month which commences not less than three days after approval of the agreement by the State Oil and Gas Supervisor, pursuant to Section 3301, Public Resources Code.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED AS FOLLOWS:

The Executive Officer is authorized to approve the form of unit agreement dated as of October 1, 1953, between the Dow Chemical Company, the Vistario Corporation, the Capital Company and the State, as to inclusion of that portion of the State lands under Gas Lease P.R.C. 729.1, now considered productive within the limits of the River Island Field, subject to approval of the unit agreement by the office of the Attorney General as to form.

h. S.R. 109, SENATE INTERIM COMMITTEE ON OIL & GAS DEVELOPMENT ON STATE LAND - W.O. 1473.) The Commission deferred determination of its position with respect to changes in the laws involving leasing of State land for oil and gas development, and proposed that a public hearing be held, probably the latter part of December, to hear the position of the oil industry on this question (Item 32, Page 1919, Minutes of October 27, 1953).

Before setting the date of a hearing, the Commission considered first whether it would be its policy to take a position regarding legislation. This was decided affirmatively. The following matters were reviewed:

1. Should the present law in Division 6 of the Public Resources Code be amended at the Budget Session in 1954 or at the Regular Session in 1955?
2. If such legislation is considered, should the present law, which prohibits the issuance of oil and gas leases except where there is drainage or a threat of drainage, be amended to permit issuance of wildcat leases; and, if so, under what conditions should leases be issued?