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.

4. 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?

3. What is the effect of present tideland litigation?

4. Should leasing policy be statutory, without discretion in the Commission?

5. If not completely statutory, what limitations should be placed in the statutes?

In view of the fact that the Cunningham Committee has its last hearing before the 1954 Budget Session on January 15, 1954, in Los Angeles, the Commission suggested as possible dates for this hearing either January 4 or January 8, 1954.

5. (DEFERMENT OF OPERATING REQUIREMENTS, MINERAL EXTRACTION LEASE P.R.C. 709.1, CONSTRUCTION AGGREGATES CORPORATION, SAN FRANCISCO AND MARIN COUNTIES.) Construction Aggregates Corporation, lessee under Mineral Extraction Lease P.R.C. 709.1, issued February 14, 1952, pursuant to competitive public bidding, have reported that no material has been removed from the lease during the current operating year and that there is little prospect of any movement of material before the end of the lease year. Lease P.R.C. 709.1 requires an advance annual rental of $900 and a royalty of 3 cents per cubic yard for all sand extracted and the performance of a specified minimum of one hundred shifts of extraction operations during each year of the term of the lease. The lessee is interested in continuation of the lease because of several prospects for future operations, but feels that the performance of the minimum shift requirements, without commercial removal of material, would serve no useful purpose. Therefore, it has been requested that the requirement for extraction operations be waived for the lease year ending February 13, 1954. In consideration of the lack of competition in bidding at the time of the lease offer, the prepaid annual rental, and the fact that no State lands have been occupied or utilized,

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

> The Executive Officer is authorized to grant a deferment of the operating requirements specified in Section 10 of Mineral Extraction Lease P.R.C. 709.1 for the lease year ending February 13, 1954, all other terms, conditions and performance requirements under the subject lease to remain unchanged.

6. (SALE OF VACANT SCHOOL LAND, APPLICATION NO. 10619, LOS ANGELES LAND DISTRICT, KERN COUNTY, EDWARD V. JONES - S.W.O. 5659.) An offer has been received from Edward V. Jones of Los Angeles, California, to purchase the NW¼ of SW¼ and SW¼ of NW¼ of Section 16, T. 29 S., R. 34 E., M.D.M., including timber thereon, containing 80 acres in Kern County. Mr. Jones has made an offer of $400, or $5 per acre.

The Assessor of Kern County advised that lands in the vicinity are assessed from $1.25 to $5 per acre. An inspection and appraisal by a member of the Commission's Staff on August 16, 1953, sets the minimum value of the subject land at $5 per acre, plus timber value of $6400.