

by the Imperial Irrigation District consist of 40 acres in the SE<sup>1</sup><sub>4</sub> of the SE<sup>1</sup><sub>4</sub> of Section 14, T. 11 S., R. 13 E., S.B.M. They have been appraised by the Commission's staff and have a value equal to or greater than that of the approximately 40 acres described in Case No. 29807 cited above.

"The office of the Attorney General, through Walter S. Rountree, Assistant Attorney General, has informally advised that the exchange suggested complies with the provisions of the Public Resources Code, and that the State may issue a patent for the lands desired by the Imperial Irrigation District, in exchange for the lands offered to the State by the Imperial Irrigation District, and that Case No. 29807 may then be compromised."

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO EXCHANGE, SUBJECT TO ALL STATUTORY RESERVATIONS INCLUDING MINERALS, APPROXIMATELY 40 ACRES OF LANDS CLAIMED BY THE STATE TO BE SOVEREIGN LANDS, IN SECTIONS 25, 35 AND 36, T. 11 S., R. 21 E., S.B.M., AND TO RECEIVE THEREFOR FROM THE IMPERIAL IRRIGATION DISTRICT 40 ACRES OF LAND IN THE SE<sup>1</sup><sub>4</sub> OF THE SE<sup>1</sup><sub>4</sub> OF SECTION 14, T. 11 S., R. 13 E., S.B.M., PURSUANT TO SECTION 6307 OF THE PUBLIC RESOURCES CODE; FURTHER, THE COMMISSION FINDS THAT THE LANDS TO BE RECEIVED BY THE STATE ARE OF EQUAL OR GREATER VALUE THAN THE LANDS TO BE PATENTED BY THE STATE TO THE IMPERIAL IRRIGATION DISTRICT. FURTHER, THE EXECUTIVE OFFICER IS AUTHORIZED TO REQUEST THE ATTORNEY GENERAL TO CONSUMMATE THE EXCHANGE AND ENTER INTO A STIPULATION TO COMPROMISE IMPERIAL COUNTY SUPERIOR COURT CASE NO. 29807. (\* amended January 19, 1956 by following):

4. (APPLICATION FOR COMPENSATORY ROYALTY AGREEMENT, COLUSA COUNTY, HUMBLE OIL & REFINING COMPANY AND HONOLULU OIL CORPORATION - W. O. 2162, P.R.C. 1583.1.)  
The following report was presented to the Commission:

"An application has been received from the Humble Oil & Refining Company, a Texas corporation, and the Honolulu Oil Corporation, a Delaware corporation, for consideration of a compensatory royalty agreement whereunder the State would be compensated for drainage from State sovereign lands in a portion of the bed of the Sacramento River in Colusa County, from wells drilled and produced by the Humble Oil & Refining Company and the Honolulu Oil Corporation on leased uplands surrounding the State lands. Such compensation would be in lieu of drilling offset wells upon the State lands.

"Section 6815 of the Public Resources Code provides 'Whenever it appears to the Commission that wells drilled upon private lands are draining or may drain oil or gas from lands owned by the State, the Commission may enter into an agreement with the owners or operators of such wells for the payment of compensation to the State for such drainage in lieu of drilling offset wells upon such State land'.

"The Humble Oil & Refining Company and Honolulu Oil Corporation are the principal lessees of uplands adjoining the Sacramento River and extending from the East-West centerline of Section 31, T. 18 N., R. 1 W., M.D.B. & M., to the south line of the N<sup>1</sup><sub>2</sub> of the

AND FURTHER SUBJECT TO CONVEYANCE OF THE MINERALS TO THE UNITED STATES, PURSUANT TO SECTION 6102 OF THE PUBLIC RESOURCES CODE, UPON NOTICE OF CONVEYANCE OF THE LAND THEREON.

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

THE RESOLUTION OF APRIL 12, 1956 (MINUTE PAGE 2629), IS REVISED TO READ AS FOLLOWS:

THE MINUTES OF NOVEMBER 30, 1955 (MINUTE ITEM NO. 3, MINUTE PAGES 2492-93), ARE CORRECTED TO READ: "THE EXECUTIVE OFFICER IS AUTHORIZED TO EXCHANGE, SUBJECT TO ALL STATUTORY RESERVATIONS INCLUDING MINERALS, AND FURTHER SUBJECT TO CONVEYANCE OF THE MINERALS TO THE UNITED STATES PURSUANT TO SECTION 6402 OF THE PUBLIC RESOURCES CODE, UPON NOTICE OF CONVEYANCE OF THE LAND THERETO, APPROXIMATELY 40 ACRES OF LANDS CLAIMED BY THE STATE TO BE SOVEREIGN LANDS, IN SECTIONS 25, 35, AND 36, T. 16 S., R. 21 E., S.B.M., AND TO RECEIVE THEREFOR FROM THE IMPERIAL IRRIGATION DISTRICT 40 ACRES OF LAND IN THE SE<sup>1</sup><sub>4</sub> OF THE SE<sup>1</sup><sub>4</sub> OF SECTION 14, T. 11 S., R. 13 E., S.B.M., PURSUANT TO SECTION 6307 OF THE PUBLIC RESOURCES CODE; FURTHER, THE COMMISSION FINDS (1) THAT THE LANDS TO BE RECEIVED BY THE STATE ARE OF EQUAL OR GREATER VALUE THAN THE LANDS TO BE PATENTED BY THE STATE TO THE IMPERIAL IRRIGATION DISTRICT, AND (2) THAT THE EXCHANGE IS IN THE BEST INTEREST OF THE STATE, FOR THE IMPROVEMENT OF NAVIGATION, AID IN RECLAMATION, AND FOR FLOOD CONTROL PROTECTION ON THE COLORADO RIVER, A NAVIGABLE RIVER, AND FURTHER, THE EXECUTIVE OFFICER IS AUTHORIZED TO REQUEST THE ATTORNEY GENERAL TO CONSUMMATE THE EXCHANGE AND ENTER INTO A STIPULATION TO COMPROMISE IMPERIAL COUNTY SUPERIOR COURT CASE NO. 29807."

S $\frac{1}{2}$  of Section 24, T. 17 N., R. 2 W., Colusa County, M.D.B. & M. Humble and Honolulu have drilled and completed a producible well, Honolulu Humble Tuttle Unit #1 Well, in Section 12, T. 17 N., R. 2 W., M.D.B. & M. This well, when connected to a distribution line for gas delivery, can drain gas from the adjoining State lands under the Sacramento River. The State lands are all distributed in the comparatively narrow present and former portions of the Sacramento River, consisting of approximately 250 acres in 7 miles of channel. This acreage is not considered sufficient and is located unsatisfactorily for inclusion in a reasonable reservoir development program such as would be conducted under a gas lease offered pursuant to competitive public bidding.

"The compensatory royalty agreement offered by Humble and Honolulu would pay the State a royalty in accordance with the following schedule on all hydrocarbons produced from wells which would affect drainage of State lands under the Sacramento River within the limits of Section 31, T. 18 N., R. 1 W., M.D.B. & M., Sections 6, 18 and 19, T. 17 N., R. 1 W., M.D.B. & M., and Sections 1, 12, 13 and 24, T. 17 N., R. 2 W., M.D.B. & M., Colusa County:

- (1) 16-2/3% royalty for all gas allocated to State lands.  
(This royalty is above the average to be paid adjoining land owners under private land leases.)
- (2) 15% royalty for all gas allocated to State lands in the event that it is necessary to compress the gas for delivery to a transmission line.
- (3) 8-1/3% royalty on the sale or use value of all gasoline or other products extracted from the quantity of gas allocated to State lands.

"Gas would be allocated to State lands for the purpose of computing royalties in the proportion that affected State lands would bear to the effective drainage area of each well as established by circumscribing 320-acre circles around each well. The royalty allocation proportion would be the proportion that State lands within a 320-acre circle bears to the established 320-acre effective drainage area for each well.

"Because of possible record conflict as to land ownerships in the affected portion of Colusa County, the compensatory royalty agreement would provide that in the event the title of the State is challenged by a third party, the State would impound the royalties allocated to that portion of the lands for which the lessee furnishes satisfactory evidence of an adverse claim until the correct royalty allocation can be established. A prior draft of a proposed compensatory royalty agreement on identical terms and substantially the same form has been approved heretofore by the office of the Attorney General."

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO EXECUTE A FORM OF COMPENSATORY ROYALTY AGREEMENT WITH THE HUMBLE OIL & REFINING COMPANY AND HONOLULU OIL CORPORATION FOR THE STATE LANDS' INTEREST IN THE BED OF THE SACRAMENTO RIVER LYING BETWEEN THE EAST-WEST CENTERLINE OF SECTION 31, T. 18 N., R. 1 W., M.D.B. & M., AND THE SOUTH LINE OF THE N $\frac{1}{2}$  OF THE S $\frac{1}{2}$  OF SECTION 24, T. 17 N., R. 2 W., M.D.B. & M., COLUSA COUNTY, WHICH AGREEMENT PROVIDES FOR ROYALTY PAYMENTS TO THE STATE IN ACCORDANCE WITH THE FOLLOWING SCHEDULE IN LIEU OF DRILLING OFFSET WELLS ON THE STATE LAND, AS AUTHORIZED BY SECTION 6815 OF THE PUBLIC RESOURCES CODE:

- (1) 16-2/3% ROYALTY FOR ALL GAS ALLOCATED TO STATE LANDS;
- (2) 15% ROYALTY FOR ALL GAS ALLOCATED TO STATE LANDS IN THE EVENT THAT IT IS NECESSARY TO COMPRESS THE GAS FOR DELIVERY TO A TRANSMISSION LINE;
- (3) 8-1/3% ROYALTY ON THE SALE OR USE VALUE OF ALL GASOLINE OR OTHER PRODUCTS EXTRACTED FROM THE QUANTITY OF GAS ALLOCATED TO STATE LANDS.

5. (SMALL BOAT HARBOR PROGRAM - W. O. 2111.)

The Executive Officer reported that pursuant to the duties assigned to the State Lands Commission by Chapter 1850 of the Statutes of 1955, which act calls for development of a small boat harbor program for the State of California, the staff of the Commission had inspected most of the potential harbor sites on the coast of California during the past six months; had rearranged and combined pertinent file material which had been accumulated over a period of years by the State Lands Commission; had written to every county located on the coast and along the inland waterways; had received from 13 of the 25 counties contacted their master plans for shoreline development and improvement; and was awaiting a discussion between the Senate Interim Committee on Bay Development and Small Boat Harbors and the Commission before proceeding further. The 13 counties from which plans have been received are: Alameda, Contra Costa, Del Norte, Marin, Mendocino, Napa, Orange, San Luis Obispo, Santa Barbara, Santa Cruz, Solano, Sonoma and Ventura.

The Chairman then introduced the Honorable Fred H. Kraft, Chairman of the Senate Interim Committee on Bay Development and Small Boat Harbors, who in turn introduced the members of his committee present for this meeting, as follows: John F. McCarthy, from Marin County; Arthur H. Breed, Jr., from Alameda County; James J. McBride, from Ventura County; A. W. Way, from Humboldt County; A. A. Erhart, from San Luis Obispo County; and John A. Murdy, Jr., from Orange County; and the Executive Secretary of the Committee, James E. Heaverside.

There followed a general discussion, led by Senator Breed, about what the Legislature was trying to accomplish. Senator Breed referred to the inventories which have been made by the Corps of Engineers of the U. S. Army, which can be used in developing California's small boat harbor program. He emphasized that the State should explore what is the most feasible and logical method of financing such a program, with the thought that it should be self-supporting on the part of the beneficiaries of the harbors, and that it was in no way to be a give-away program, or to be supported by the State; but that perhaps the help