

ORIGINAL

BEFORE THE STATE LANDS COMMISSION
OF THE
STATE OF CALIFORNIA

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IN THE MATTER OF THE STATE LANDS)
COMMISSION MEETING HELD AT LOS)
ANGELES, CALIFORNIA.)

TRANSCRIPT OF MEETING held in Room 709,
State Building, Los Angeles, California,
on Monday, January 13, 1958 at the hour
of 2:00 P.M.

JOHN J. RABASA, C. S. R.
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LOS ANGELES 12, CALIFORNIA
MUTUAL 5863

BEFORE THE STATE LANDS COMMISSION
OF THE
STATE OF CALIFORNIA

IN THE MATTER OF THE
STATE LANDS COMMISSION
MEETING HELD AT LOS
ANGELES, CALIFORNIA

The above-entitled matter came on regularly for hearing before the State Lands Commission in Room 709, State Building, Los Angeles, California, on Monday, January 13, 1958, at the hour of 2:00 P. M.

APPEARANCES:

For the State Lands Commission:

JOHN M. PIERCE, Chairman and Director of Finance,
State Lands Commission

ROBERT C. KIRKWOOD, Member, State Comptroller

FRANCIS J. HORTIG, Executive Officer of the
State Lands Commission

A. W. PFEIL, Mineral Resources Engineer,
State Lands Commission

HERMAN H. KAVELER, Consultant,
State Lands Commission

J. M. WANENMACHER, Consultant,
State Lands Commission

FRANK W. PORTER, Administrative Assistant,
State Lands Commission

APPEARANCES: (Continued)

For the State Lands Commission:

KENNETH SMITH, Supervising Land Title Examiner,
State Lands Commission

JULIA P. STAHL, Secretary,
State Lands Commission

Parties In Attendance:

RICHARD RICHARDS, State Senator

BRUCE F. ALLEN, Chairman,
Assembly Judiciary Subcommittee on
Tidelands.

HAROLD A. LINGLE, Deputy City Attorney,
City of Long Beach

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LOS ANGELES, CALIFORNIA, MONDAY, JANUARY 13, 1958

2:00 o'clock p. m.

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CHAIRMAN PIERCE: The meeting will now come to order. The Lieutenant-Governor will not be with us today. He is out of the State on official business so that Mr. Kirkwood and I will constitute the members of the Commission for this meeting.

The first order of business is the approval of the minutes of the meeting which took place on December 12, 1957. Copies were mailed to members of the Commission. Do they meet with your approval, Mr. Kirkwood?

MR. KIRKWOOD: Yes.

CHAIRMAN PIERCE: They meet with my approval, and the minutes will stand approved as written.

Do you wish to discuss at this time the next meeting of the Commission, Mr. Hortig?

MR. HORTIG: Yes, sir. It is the desire again, as has been the normal requirement for the Commission, that a meeting be held in February or prior to February 15th. It is suggested that we attempt to arrange with your respective calendars for sometime in the week starting the 9th of February, unless you gentlemen have any specific difficulties that you can foresee at this time, otherwise we will arrange with your respective secretaries for a

1 mutually satisfactory date.

2 CHAIRMAN PIERCE: All right. If you will clear with
3 them, a meeting date will thus be fixed on the basis of
4 our mutual convenience.

5 MR. HORTIG: Yes, sir.

6 CHAIRMAN PIERCE: Now, Mr. Hortig, if you will,
7 proceed with the agenda on the basis of the convenience
8 of most people who may be here for the purpose of testi-
9 fying.

10 MR. HORTIG: Well, then, Page One, gentlemen:
11 Pursuant to service contracts authorized by the Commission
12 on September 13, 1957 (Minute Item 7, page 3444), Dr.
13 Herman H. Kaveler, and Mr. J. M. Wanenmacher of Keplinger
14 and Wanenmacher have conducted studies relative to oil
15 and gas lease procedures to be recommended for action
16 under existing legislative authorization for the issuance
17 of oil and gas leases.

18 Preliminary reports relative to recommended
19 procedures and to the scope of studies to be completed
20 will be presented to the Commission by the respective
21 consultants at this time at the pleasure of the chair.

22 CHAIRMAN PIERCE: I would like to state that Mr.
23 Kaveler and Mr. Wanenmacher are both nationally recognized
24 petroleum engineers. They come to us highly recommended
25 on the basis of their background and their ability, and
26 they are in the middle of making a survey of our leasing

procedures in the interest of advising whether or not we are on the right track or there are instances where we should change our approach under existing law in order to protect the best interests of the State.

These gentlemen are here today to give us a progress report concerning the study they are making, and at a later meeting, possibly next month, they will be prepared to submit final reports containing their findings and recommendations. At that time those reports will be made public, and all interested parties will have an opportunity to study them and to advise us further with respect to this matter. I would like to call on these gentlemen.

Mr. Kaveler, would you like to lead off or would you prefer Mr. Wanenmacher? I leave it up to you.

MR. KAVELER: I would prefer to have Mr. Wanenmacher lead off, but I will leave it up to the Chairman.

CHAIRMAN PIERCE: All right. Mr. Wanenmacher, will you give us a preliminary report concerning your observations up to this time, please.

MR. WANENMACHER: I would like to say that we were highly honored to be asked by the Commission to help them in their problems.

We have reviewed the statutes, the past lease forms which have been used by the Commission, and we have reviewed the history of the leases in only a general

1 way so far as the royalty received by the State is
2 concerned. We have also visited with Mr. Hortig and
3 have seen the manner in which the C and E staff conduct
4 their business.

5 I would like to say, as everyone knows, the
6 statutes leave broad discretionary powers to the Com-
7 mission even though they are specific on many points.
8 These discretionary powers are numerous and they are very
9 broad.

10 I have made little progress further than a
11 study of the problems which now confront the Commission,
12 and my idea of which of these are the most important.
13 In other words, we don't have the answers.

14 It is my opinion that there are four main
15 problems with which the Commission will be faced in
16 using its discretionary power. Number one is the policy
17 which the Commission will adopt on deciding whether a
18 lease will be offered on the basis of the highest cash
19 bidder or on the basis of the highest royalty. A second
20 question is the question of well spacing. The third
21 question is, should the State lease all of its acreage
22 to a prospect or should the State retain a portion of
that acreage and lease only a part. The fourth one and,
as I would say, the \$64,000 question, is the determination
of a sliding scale royalty to be applied when the leases
are given to the bidder who gives the highest cash bonus.

1 Now, this is required by law. The minimum is set at
2 sixteen and two-thirds per cent. The maximum limit is
3 within the discretion of the Commission.

4 To me there are many factors which must be
5 considered in this problem. We haven't analyzed all of
6 them.

7 I hate to come here and make a progress
8 report and say that we have nothing to report but we are
9 getting along. We want to study the problem further,
10 and our main efforts will be along the line of these
11 four problems which I have just mentioned.

12 CHAIRMAN PIERCE: Thank you, Mr. Wanenmacher. Now,
13 Mr. Kaveler, you will advise us concerning your progress.

14 MR. KAVELER: Mr. Chairman and Mr. Kirkwood, in
15 making my report to the Commission, which is a report
16 to the Commission of the progress that I have made in
17 studying the leasing policy, I would call the Commission's
18 attention to the following which represents our present
19 line of thought:

20 Whether or not the Commission has announced
21 publicly a set of general policies which it will follow,
22 it seems to me that at least three elements of that
23 general policy are important to a well based general
24 leasing policy.

25 Now, the statutes that Mr. Wanenmacher said
26 to you gives the Commission many discretionary powers,

and it would seem to me that the Commission should diligently exercise those discretionary powers whenever circumstances require such exercise in order that the terms of the lease may be made effective and that the ultimate results under the lease issued comes to the point that the Commission had in mind when the lease was issued.

There are such matters as the determination of the spacing of wells, the number of wells to be drilled per acre. There are such matters as the determination of the daily rate of production of wells. There is the matter of whether or not this Commission would encourage pressure maintenance of water flooding operations when circumstances dictate, and there is the matter of whether or not this Commission would encourage or cause the pooling or the utilization of separate lease holds, all of those being discretionary powers lodged by the statutes.

As a matter of general policy, too, it seems to me that the Commission should look toward maintaining not only a competent staff but a sufficient staff to accomplish its own independent appraisal of the prospects of production on unleased lands and the efficiency of operations of the development lands.

It would seem to me that the administration of the statutes, as contemplated by the legislature, could not be accomplished until the Commission, if it

does not already have -- I don't pass judgment at this time on the point -- but the Commission, if it does not already have, should have an adequate staff so that its proper acts in respect to the issuance of leases can be based upon information that comes from its own sources.

The third matter of general policy that I think is important is that the Commission must exercise its full and complete right to reject all bids in any instance when after receipt of the bid it appears to the Commission that none of the bids are to the best interest of the State, and that matter of rejecting bids may evolve such a procedure as a rejection of a royalty bid and the substitution, therefore, of an invitation to bid on a cash basis, and in an extreme case they might reject the cash bids and go back to the royalty bids, but I think that the burden as well as the responsibility is on the Commission to decide after the bids are in whether or not all of the bids in this particular instance should be rejected.

I might mention in respect to specific policies, go to such questions as these: What shall be the size of the tracts which are granted under any particular lease, and if I may be permitted in this preliminary report to use general terms, it is my opinion that the Commission should adopt a policy of leasing small tracts as compared to large tracts, and let the words "large"

and "small" just simply be relative for the moment.

The Commission should also invite bids on the basis of whether or not the lands can be regarded as being wildcat lands; as to whether or not they can be regarded as semi-proven or probably productive lands, and whether or not the lands to be leased can be regarded as proven. Now, by proven I think we can understand the plans that are offsetting producing wells or producing properties could be regarded as proven lands. Lands that are located geologically on a producing structure at such a geological location as to indicate a higher probability of being productive, would be a second category, and then, of course, all lands other than those would be wildcat lands.

In my present opinion the Commission should lease lands only when one or more potential bidders make a request that the lands be put up for lease.

Now, I would recommend, I think, that the Commission adopt a policy -- going back to the matter of a large lease and a small lease -- that the Commission adopt a policy of stepwise leasing of any known prospect rather than to grant a lease so large, as in the first instance, it might encompass the entire field.

Now, the Act here in California provides that there shall be a drilling term not to exceed three years, and provides that there shall be a primary term not to

exceed twenty years or to be twenty years, rather. The drilling term of not more than three years may be extended at the discretion of the Commission. The Act also provides that there be an annual rental of not less than \$1.00 per acre. Now, with respect to the drilling term, which I think is the matter of immediate importance, my present opinion is that the Commission should reasonably expect any lessee to commence operations for the boring of a hole in the earth within the three year primary term. While my present reading of the statutes in respect to what constitutes a commencement of operations is a bit puzzling at the moment, I would recommend to the Commission that it regard only actual boring operations as a commencement of drilling. So it is a primary term. Any steps taken to prepare a location or do other work preliminary to boring operations, would not be considered a commencement of drilling operations within the drilling term.

In my opinion the three-year drilling term should be extended only under most unusual and very compelling conditions.

I would recommend to the Commission, also, that an annual rental be charged and be made a provision of the lease. The annual rental would be due and payable on the anniversary date of the lease, and that the annual rental not be waived in the event the Commission

should for just reasons extend the primary term for any number of years.

Now, the other matter of fixed policy, it is my opinion that the statutes -- not being a lawyer I will exercise lodgenarian opinion on this point -- requires that there shall always be a sliding scale royalty provision, and the sliding scale royalty formula which the Commission has been using, wherein the royalty is determined as the portions of the daily average production per well divided by a number plus your fraction of the production, that particular type of formula, I think, is fair and reasonable, and does not cause the imposition of excessive royalties.

Then, in summary, it seems to me that the leasing policy should involve, in the first instance, so called wildcat leases, and in those wildcat leases it would be my recommendation that the Commission describe a certain tract of land to be leased which would in my present opinion be substantially less than the five thousand some odd acres provided as the maximum in the statutes; would provide an annual rental in the fixed number of dollars per acre; would provide a sliding scale royalty based upon production per well per day, somewhat in the same degree as royalty provisions on the sliding scale in recent leases issued by the State, and leave the bid provision a cash bonus. The amount

of that royalty to be specified in the lease on a sliding scale is a matter that I haven't made up my own mind about it at the moment, but, in any event, would be something that the Commission itself would ultimately decide.

Now, under the second-class of leases, those that we might call productive, it would be my recommendation to the Commission that acreage be specified as required; that it be smaller in number of acres than the wildcat lease; that an annual rental of a fixed number of dollars per acre be due on the anniversary date of the lease, and that there be specified, also, a cash bonus, and the bid factor -- I mean, the bidding to be based upon a factor to apply to the royalty formula specified in the lease, and finally for proven lands, it would be my recommendation at the moment that the acreage specified be less than the amount -- than the acreage in a probably productive lease; that the annual rental be specified at a relatively higher level than a probably productive lease or a wildcat lease, and that there be a cash bonus specified in the lease also at a higher level than in the probably productive and wildcat lease, and that the bidding be based upon a factor to multiply any royalty formulas specified in the lease.

I would recommend leasing wildcat acreage for a high cash bonus as being a better practice for the

State, particularly since the Commission may protect the State with the device of leasing only a relatively small block, and I use relatively small in very general terms; giving opportunity to the Commission to see what the structure promises in the way of production before additional lands on the structure are made available to leasing. The Commission also has the protective device of rejecting all leases in the event the cash bonus does not appear to be in the interest of the State.

I think one of the biggest problems that I encountered in looking at the problem given to the consultants was in respect to Section 6827. As I read that, royalty on oil shall be on a sliding scale in every instance, and the minimum shall be sixteen and two-thirds, although it could be higher. The maximum royalty shall be specified and it could be a hundred per cent. The royalty on gas shall be not less than sixteen and two-thirds and could be higher. The royalty can be paid in kind or a per cent of the sales price, but when we come down to the question of the language of the statute, unless all bids are rejected, the Commission shall award an advertised lease to a qualified bidder who undertakes to pay the highest cash bonus in addition to satisfying all other provisions of the lease or in the alternative when specified in the invitation to bid, undertakes to pay the highest rate of royalty in addition to satisfying

the other provisions of the lease, and as I read that sentence, it seems to me that in the case of a royalty bid, another provision of the lease could be a cash bonus, and it seems to me that it would be highly proper, as the Commission judges the circumstances that would affect the willingness of lessees to take lands, that even though the royalty is the bid factor, that the Commission would be in its full power and duty and its obligation to specify a high cash bonus if it so chose in the case of a royalty bid.

Now, there are other provisions, Mr. Chairman, for the moment that are not important, but which will be referred to in my final report, such matters as the allowance for dehydration, and I would recommend that no such allowance be made, and the matter of the selling price in determining the bases on which a royalty is to be paid, it would be my recommendation such a lease provide that the Commission shall determine what the selling price for the particular type of crude is on which the royalty is to be paid, and I think the leases should, of course, include the provision, which I think we now have, and that is that the State may take its royalty oil in kind, and that the provisions in the lease should be such as to require the operator to accommodate the State in that respect.

That is the extent of my present thinking,

Mr. Chairman, and my preliminary view of my final report.

CHAIRMAN PIERCE: Now, may I ask, Mr. Kaveler and Mr. Wanenmacher, will you be prepared to submit to the Commission before its next meeting or at the time of its next meeting, which will take place on or about the 10th, 11th or 12th of February, your final reports?

MR. KAVELER: I will be able to.

MR. WANENMACHER: I think so.

CHAIRMAN PIERCE: In other words, I want to announce to the audience that these two consultants whom we have retained, will have in our possession final reports containing their findings and recommendations on or before the next meeting of the State Lands Commission, which will be about thirty days from now. At that time the information that they contain will be available to all interested parties so that you may know the nature of the recommendations before the members of the State Lands Commission make any final decision with respect thereto.

Now, this is a very complicated problem in procedure, and we hope to benefit from the advice of these men who are nationally recognized in the field of petroleum engineering, and I personally feel we will profit immeasurably from the information that they are able to develop.

Now, Mr. Kirkwood, have you any question to ask these gentlemen or any statement to make with regard

to their presentations?

MR. KIRKWOOD: No, I don't believe so, John. As I understand it, they will be available between now and the time of the preparation of their final reports for discussion with industry people. I think that should be known. I would be curious as to whether there is any reaction to their preliminary presentation at this time.

CHAIRMAN PIERCE: Is there any one present who wants to comment?

Bear in mind, these are not final recommendations and these are not all of the recommendations, and both of the consultants have not referred specifically to royalty rates and schedules. They have generalized in their observations at this meeting.

Does anybody in the audience desire to comment with regard to the procedure we are following? Does anybody have any questions to ask?

(No audible response.)

CHAIRMAN PIERCE: Assemblyman Allen, have you any questions to ask?

ASSEMBLYMAN ALLEN: No, I don't at this time. Thank you.

CHAIRMAN PIERCE: All right. Well, thank you, gentleman, for your report, and we would like to have you stay for the duration of this meeting and listen to our further proceedings.

All right, Mr. Hortig, if you will, proceed with the agenda, please.

MR. HORTIG: Page 24.

CHAIRMAN PIERCE: Page 24. May we have order.

MR. HORTIG: As the Commissioners will recall, in conjunction with a series of projects heretofore authorized on a fiscal year basis in connection with subsidence remedial operations by the City of Long Beach over which the Commission has an area of supervision by reason of Chapter 29 of the statutes of 1956, one of the remaining areas of operation, the matter of property purchase and areal fill to protect against subsidence, has, for the last two months, as a minimum, been approved on a monthly basis pending the final determination of accounting basis and some legal factors involved in so far as total approval of a project of this type on a fiscal year basis may be feasible. Therefore, at this time the City of Long Beach has applied and a staff has reviewed the application as to approval of funds to provide for a limited amount of property purchases and areal fill projects as detailed in the amounts shown on Page 25 of this calendar.

The approval would be subject to the standard conditions heretofore established by the Commission as to accounting and engineering review after the project has been completed and the physical factors are known

precisely.

It is recommended that authorization be given for approval of this project on a monthly basis as of Line 4, proposed expenditure by the City of Long Beach during February, 1958.

CHAIRMAN PIERCE: Any questions?

MR. KIRKWOOD: Have we authorized this broad an authorization before, Frank?

MR. HORTIG: Yes, sir. This is repetitive of last month's authorization except for the date.

MR. KIRKWOOD: All right.

MR. HORTIG: And actual subdivision items.

CHAIRMAN PIERCE: Long Beach --

MR. LINGLE: That is satisfactory.

CHAIRMAN PIERCE: The recommendation and schedule is satisfactory to the City of Long Beach?

MR. LINGLE: Yes, sir.

CHAIRMAN PIERCE: The recommendation is approved.

Your name, for the record, please?

MR. LINGLE: Harold A. Lingle, Deputy City Attorney.

MR. HORTIG: Page 2.

CHAIRMAN PIERCE: Page 2?

MR. HORTIG: Yes. State Oil and Gas Agreement for Easement 392.1 was issued to the Southwest Exploration Company in 1938 pursuant to competitive public bidding as provided in Chapter 5 of the Statutes of 1938. The

lease was subsequently assigned to Signal Oil and Gas Company and Hancock Oil Company. Signal Oil and Gas Company is the designated operator.

An application has been received from the operator requesting that the terms of the lease be modified as provided for under Section 6873 of the Public Resources Code, as amended by Chapter 104 of the Statutes of 1957, in order that the lessee may take advantage of the more flexible operating and development conditions specified.

It is the opinion of the office of the Attorney General that this specific lease may be modified in accordance with the provisions of Section 6873 of the Public Resources Code.

It is recommended that the Commission approve the modification of the terms of oil and gas agreement for Easement 392.1, as requested by the Signal Oil and Gas Company, as operator, by the substitution of the provisions of Chapter 104 of the Statutes of 1957, all other terms, conditions, and performance requirements under the lease to remain unchanged and in full force and effect.

By way of further comment, Mr. Chairman, this is the identical type of application and procedure which was reviewed by the Commission with respect to two leases at the last calendar which have already been modified in the same manner.

CHAIRMAN PIERCE: This merely takes an existing lease and places it in conformity with the new law which was enacted at the last Session of the Legislature?

MR. HORTIG: That is right.

MR. KIRKWOOD: What are the specific modifications?

MR. HORTIG: The specific modifications or the principal specific modifications relate to the ability of an operator under the remaining control of the Commission as to approval to develop the lease from mobile marine or other marine type structures in addition to the placement of off-shore islands which is already authorized under prior conditions of the Public Resources Code.

CHAIRMAN PIERCE: Any further questions?

MR. KIRKWOOD: Yes. This is the same thing that comes up now from Page 2 to 10?

MR. HORTIG: That is correct. All their applications for amendments to leases are to accomplish the same thing.

MR. KIRKWOOD: And it is specifically contemplated by the legislation?

MR. HORTIG: It is specifically authorized by the legislation that this may be done.

MR. KIRKWOOD: Do you think there is a difference?

MR. HORTIG: I would think so. There still could be circumstances under which it might not be desirable

to amend the lease to the full extent authorized by the Statutes within the discretion of the Commission, but in these instances, it is felt and in being consistent with prior actions of the Commission, that these are and should be recommended.

CHAIRMAN PIERCE: You have received no objection to this recommendation?

MR. HORTIG: None specifically, no, sir.

MR. KIRKWOOD: Any comment?

CHAIRMAN PIERCE: Any comment from anybody in the audience with respect to this recommendation?

(No audible response.)

MR. KIRKWOOD: Well, I move the approval of the items on Page 2 through 10.

Aren't they all the same?

MR. HORTIG: They are the same except as to the areas in the leases and lessees.

CHAIRMAN PIERCE: Mr. Kirkwood has moved that these recommendations on Pages 2 to 10 inclusive be approved, and I second the motion, so they will stand approved.

The next item, Mr. Hortig.

MR. HORTIG: Page 11. State Oil and Gas Lease 92 was issued to the Pacific Western Oil Company in 1929 pursuant to the provisions of Chapter 303 of the Statutes of 1921. The lease was assigned to the Pacific Western Oil Corporation, and in 1949 was extended and

renewed as Lease P.R.C. 420.1 for a period of ten years. The lessee's name was subsequently changed to Getty Oil Company.

An application has been received from the Getty Oil Company requesting termination of the lease in accordance with Section 27 of the lease, which provides that the lease may be terminated upon the mutual consent in writing of the parties thereto.

All wells drilled on the lease have been properly abandoned in conformance with the lease terms, the Rules and Regulations of the State Lands Commission, and the provisions of Division 3 of the Public Resources Code, which are the regulatory and statutory provisions for the Division of Oil and Gas. An inspection of the area has shown that all well facilities and piers have been removed from the leased area in conformance with the approved plans previously submitted. All royalties and other obligations due and payable to the State have been paid.

It is recommended that the Commission authorize the termination of Lease P.R.C. 420.1, effective this date, in accordance with the provisions of the lease as requested by the Getty Oil Company.

CHAIRMAN PIERCE: Any discussion? Does anybody have any questions to ask?

MR. KIRKWOOD: What acreage is involved?

MR. HORTIG: It is relatively low. It is less than a hundred acres.

MR. KIRKWOOD: I move it be approved.

CHAIRMAN PIERCE: The recommendation is approved.

MR. HORTIG: Page 12, gentlemen, is the identical problem with respect to the adjoining lease which was also held by the Getty Oil Company, and involves, if anything, actually less acreage.

MR. KIRKWOOD: I move it be approved.

CHAIRMAN PIERCE: The recommendation is approved.

MR. HORTIG: Page 13. On September 13, 1957, the Commission granted Tidewater Oil Company a deferment of drilling and operating requirements under Oil and Gas Lease P.R.C. 1744.1 at Summerland in Santa Barbara County. Deferment was granted until February 11, 1958, subject to the conditions that the lessee would, during the period of deferment, initiate development or quitclaim the lease area or present new adequate bases for any further consideration of the deferment.

The request has been received from the Tidewater Oil Company for an additional deferment of 60 days in order to complete arrangements which are in process for the drilling of a well in the leased area. It is recommended that the Commission authorize the extension and the deferment for 60 days until April 12, 1958, subject to performance by the lessee of the same

conditions included in the original grant of deferment.

CHAIRMAN PIERCE: Any questions?

MR. KIRKWOOD: This hasn't anything to do with what Mr. Kaveler was talking about on the permit? This is not one where there was a three-year original period?

MR. HORTIG: This was a one year original period, as I recall, sir. The well has actually been drilled but the problem is that there is further drilling under this lease. This was the first and only proven area lease issued under the Cunningham-Shell Tidelands Act.

MR. KIRKWOOD: I move it be approved.

CHAIRMAN PIERCE: The recommendation is approved.

MR. HORTIG: Page 14.

CHAIRMAN PIERCE: Does that conclude the oil items?

MR. HORTIG: No, sir, not quite. If I may, I refer you gentlemen to Page 34.

CHAIRMAN PIERCE: Page 34.

MR. HORTIG: An application has been received from Western Offshore Drilling and Exploration Company for permission to conduct geological explorations from mobile marine equipment for the three-month period commencing January 15, 1958. Permission has been requested to conduct core drilling operations in the area between a line drawn due West from Pt. San Luis, San Luis Obispo County, and a line drawn due South from a point on the ordinary high water mark six miles easterly of Pt. Dume,

Los Angeles County.

Western Offshore Drilling and Exploration Company, as operator, proposes to enter into contracts with independent operators for the conduct of core drilling operations. The statutory application filing fee has been paid by the applicant, and it is recommended that the Commission authorize the issuance to Western Offshore Drilling and Exploration Company a geological survey permit, conforming to the operating conditions established by the Commission, the permit to be for the period January 15, 1958, to April 14, 1958, inclusive, subject to the following conditions: The permittee is to reimburse the State Lands Commission for all of its inspection costs, and upon demand by the Commission, the permittee shall make available for inspection all factual and physical exploration results, logs, and records resulting from the operations under the permit, for the confidential information of the Commission.

MR. KIRKWOOD: Does this include part of the closed area?

MR. HORTIG: The so-called sanctuary area?

MR. KIRKWOOD: Yes, sir.

MR. HORTIG: Yes, sir.

MR. KIRKWOOD: Have we issued permits covering that area?

MR. HORTIG: Yes, sir. Those have all taken place within the sanctuary area in order to get the data even though there is no basis for offering leases in the area.

MR. KIRKWOOD: San Luis Obispo County doesn't have any concern with this permit?

MR. HORTIG: There is no portion of San Luis Obispo County in this permit which would be within the closed area.

MR. KIRKWOOD: All right. It would be the offshore in Santa Barbara?

MR. HORTIG: Yes, sir.

CHAIRMAN PIERCE: Any further questions or comment?
(No audible response.)

CHAIRMAN PIERCE: If not, the recommendation will stand approved.

That concludes all the items on the agenda that involves oil.

Now, back to Page 14.

The meeting will come back to order. Now, Mr. Hortig, if you will, proceed with Page 14.

MR. HORTIG: Page 14. The Department of Fish and Game has reported that requests were filed in 1955 for the withdrawal by the U. S. Department of the Interior of certain public domain lands for wildlife purposes in the Otay Mountain and McCain Valley areas of San Diego

County.

A public hearing was held on October 1, 1957, with respect to the proposed McCain Valley withdrawal containing approximately 38,000 acres. Should favorable action be taken on this withdrawal request, the Department of Fish and Game has planned to make application to purchase 640 acres of vacant State school land, which would be within the exterior limits of the proposed withdrawn area. The decision of the Department of Interior it is anticipated will take some time to be reached before there can be a notification to the Department of Fish and Game as to whether the withdrawal has been approved or disapproved and, therefore, it is requested by the Department of Fish and Game that the vacant State school lands be withdrawn from public sale in order that the Department may proceed with an application to purchase if this land becomes necessary to their project.

It is recommended that the Commission authorize the withdrawal from public sale of Section 16, Township 15 south, Range 6 east, San Diego County, until June 30, 1958.

MR. KIRKWOOD: This land is in the area that is contiguous or surrounded by?

MR. HORTIG: It is surrounded by, yes. There are no pending applications for purchase of this specific

property.

CHAIRMAN PIERCE: The recommendation is approved.

Page 15, Mr. Smith.

MR. SMITH: This is the restoration to public sale of vacant state school land.

The Commission at its meeting held September 30, 1952, rejected an application to purchase 320 acres in San Bernardino County and withdrew the land from public sale.

Rejection of the application and withdrawal of the land from sale was based upon information assembled at the time of appraisal to the effect that considerable development of the area was under way, particularly the establishment of the Marine Corps Artillery Training Center at Twentynine Palms, together with construction of new access roadways. It was felt that by withholding the land from sale the State might in the future realize a larger return following the development and improvement of the surrounding area.

Review of the matter by the appraisal staff at the present time indicates that it may now be in the best interest of the State to offer the subject land for public sale, principally in view of the prevailing high prices for which lands in this area are now being sold.

It is recommended that the Commission restore

to public sale the east half of Section 36 containing 320 acres in San Bernardino County, with a minimum offer of \$10.50 per acre required to qualify an application for consideration, subject to reappraisal of the land in accordance with the standard procedure.

MR. KIRKWOOD: Is this just something that you instituted or is there a request for this?

MR. SMITH: There have been numerous inquiries and I would say a half a dozen within the last two or three months concerning this very same parcel.

MR. KIRKWOOD: It hasn't been reappraised?

MR. SMITH: No, it hasn't.

On the basis of a rough estimate by our appraisers who are familiar with the area, it may be worth \$200.00 to \$300.00 an acre at the present time, roughly.

CHAIRMAN PIERCE: Any further questions?

MR. KIRKWOOD: No questions.

CHAIRMAN PIERCE: The recommendation is approved.

MR. SMITH: Page 16. The sale of vacant swamp and overflowed land in Alpine County.

An offer has been received from Fred H. Dressler of Gardnerville, Nevada, to purchase 40 acres of swampland in Alpine County. An offer of \$5.00 per acre was made, and an appraisal has established the value of the subject land at \$50.00 per acre, and the

applicant has deposited the amount required to meet this value. The land was advertised for sale and no bids were received pursuant to the advertising.

It is recommended that the Commission find that the 40 acres of swamp and overflowed land in Alpine County is not suitable for cultivation without artificial irrigation and authorize the sale of said land to the single applicant, Fred H. Dressler, at a cash price of \$2,000, subject to all statutory reservations including minerals.

CHAIRMAN PIERCE: The recommendation is approved.

MR. SMITH: Page 17. The sale of vacant State school land.

Offers have been received pursuant to published notice for the receipt of bids to purchase vacant State school land. Appraisals by the Commission's staff indicate that the offers made are adequate and that said offers are equal to or in excess of the appraised value of the land.

It is recommended that the sale be approved by the Commission.

CHAIRMAN PIERCE: The recommendation is approved.

MR. HORTIG: Page 22.

MR. SMITH: The sale of vacant Federal land.

It is recommended that the Commission determine that it is to the advantage of the State to select

the 28.74 acres of vacant Federal land in Yuba County, and that the Commission find that said land is not suitable for cultivation, and authorize the sale to Samuel Owen Gunning at the appraised price of \$1,494.48, subject to all statutory reservations including minerals.

CHAIRMAN PIERCE: The recommendation is approved.

MR. SMITH: This is the selection of vacant Federal land.

MR. HORTIG: Page 23.

MR. SMITH: Page 23. The selection of vacant Federal land in Los Angeles County.

The State's application -- the State's applicant has cancelled his request for acquisition of the land.

It is recommended that the Commission determine that it is to the advantage of the State to select the Federal land containing 40 acres in Los Angeles County; that the Commission find that said land is not suitable for cultivation without artificial irrigation, and that the Commission approve the selection of said land and authorize the sale thereof pursuant to the rules and regulations governing the sale of vacant State school land.

MR. KIRKWOOD: This means that this land won't be put up again until somebody comes in with \$345.40?

MR. SMITH: That is correct, under the present rules

and regulations.

MR. KIRKWOOD: How often do we reconsider those parcels?

MR. SMITH: Well, when an application -- when an appraisal is more than six months old, the land is re-inspected to see if there is any change of value. It is considered to be outdated beyond that.

CHAIRMAN PIERCE: The recommended is approved.

MR. HORTIG: Page 26.

MR. KIRKWOOD: I recommend that it be approved.

CHAIRMAN PIERCE: On Page 26 the recommendation is approved.

MR. HORTIG: Page 27 through 33 constitutes a tabulation of action previously taken by the Executive Officer under the delegation of authority to be submitted for conformation by the Commission.

CHAIRMAN PIERCE: It all appears to be in order.

MR. HORTIG: Okay.

CHAIRMAN PIERCE: The recommendation is approved.

Any further business to come before the Commission?

MR. HORTIG: No, sir, not from the staff.

CHAIRMAN PIERCE: Anybody in the audience?

(No audible response.)

CHAIRMAN PIERCE: The meeting will stand adjourned.

(The hearing was adjourned at 3:15 P. M.)

IN THE MATTER OF THE
STATE LANDS COMMISSION
MEETING HELD AT LOS ANGELES,
CALIFORNIA.

CERTIFICATE
OF
REPORTER

I, JOHN J. RABASA, Reporter for the State Lands Commission, hereby certify that the foregoing is a full, true and correct transcript of the stenographic notes taken by me in this matter, on the date hereinbefore specified, and that the same is a full, true and correct record of the proceedings had in the same matter before the State Lands Commission of the State of California.

Dated at Los Angeles, California, on January 24th, 1958.


Reporter

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