

1  
2  
3  
4  
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6  
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TRANSCRIPT OF  
MEETING OF  
STATE LANDS COMMISSION

JUNE 13, 1957 - 10:00 A.M.

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PRESENT:

THE COMMISSION:

Messrs. John M. Peirce, Chairman  
Harold J. Powers  
Robert C. Kirkwood

STATE LANDS DIVISION:

Messrs. Rufus W. Putnam, Executive Officer  
F. J. Hortig, Asst. Executive Officer  
Kenneth C. Smith, Supervising Land  
Title Abstractor  
Mrs. Julia Stahl, Secretary

ATTORNEY GENERAL'S OFFICE:

Messrs. Jay L. Shavelson, Deputy Attorney General  
John S. Hassler, Deputy Attorney General

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APPEARANCES:

Senator John J. Hollister, Jr.  
Assemblyman James L. Holmes  
Mr. Paul Lower, Superior Oil Company

RE: SANTA BARBARA

Messrs. Stanley Tomlinson, City Attorney, Santa Barbara  
Vern Thomas, District Attorney, Santa Barbara County  
John T. Rickard

RE: LONG BEACH

Messrs. Harold Lingle, Office of City Attorney  
Sam Vickers, City Manager  
Philip Brady, City Attorney

Reporter:  
Louise H. Lilloco  
Division of  
Administrative Procedure

ALPHABETICAL INDEX BY ITEM

NAME OF ITEM	ITEM NUMBER	PAGE ON CALENDAR	PAGE OF TRANSCRIPT	
Bayles, Leland L.	8	13	50	
Bel Air Bay Club Ltd.	1	24	52	*
California, State of Dept. of Fish and Game	13	6	47	
Division of Highways	1	25	52	*
Evans, Henry	2	9	49	
Farrell, John C.	9	1	46	
Fitzgerald, John A.	1	18	52	*
Ideal Cement Co.	14	27	52	
Lann, J. A.	1	24	52	*
Leavers, Ralph R.	6	7	48	
LEGISLATIVE			52	
Libby, Edw. J. & Wm. E. Asimow	10	2	47	
LONG BEACH				
Subsidence Costs	15	28	22	
" "	16	31	23	
" " Fiscal	20	35	24	
Wilmington Field	23	81	25	
Lopes, Antone	1	20	52	*
Los Angeles, City of	1	19	52	*
Los Angeles, Dept. Water & Power	1	20	52	*
Marr, O. C.	1	26	52	*
Merrick, Mrs. Elizabeth S.			59	
Monterey Oil Co.	18	33	1	

ALPHABETICAL INDEX Cont'd					
	NAME OF ITEM	ITEM NUMBER	PAGE ON CALENDAR	PAGE OF TRANSCRIPT	
1					
2					
3					
4	Pacific Tel. & Tel. Co.	1	23	52	*
5	Pfeiffer, H. J.	3	12	50	
6	Rancho Palos Verdes Corp.	1	21	52	*
7	Richfield Oil Corp.	1	26	52	*
8	Roche, LeRoy	1	22	52	*
9	SANTA BARBARA	22	79	4	
10	Santa Clara County Flood Control & Water Cons. Dist.	4	15	50	
11	San Diego, City of	12	14	50	
12	Sargent, Delbert James	7	10	49	
13	Signal Oil & Gas Co.	17	32	2	
14	" " "	19	34	3	
15	Southern Calif. Gas Co.	1	22	52	*
16	Standard Oil Co.	1	21	52	*
17	STATE LANDS COMMISSION				
18	Consultant Board			60	
19	Personnel	5	16	51	
20	Reproduction Service	24	83	61	
21	Tidewater Oil Co.	1	18	52	*
22	Transactions of Exec. Officer	1	18	52	*
23	U. S. Bureau of Reclamation	1	19	52	*
24	U. S. Navy	12	17	51	
25	*Transactions of Executive Officer				
26					

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

INDEX BY ITEM NUMBER

<u>ITEM NUMBER</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
1	18	52
2	9	49
3	12	50
4	15	50
5	16	51
6	7	48
7	10	49
8	13	50
9	1	46
10	2	47
11	17	51
12	14	50
13	6	47
14	27	52
15	28	22
16	31	23
17	32	2
18	33	1
19	34	3
20	35	24
21	See Legislative Unnumbered	
22	79	4
23	81	25
24	83	61

1 THURSDAY, JUNE 13, 1957 ---- 10:00 A. M.

2 \*\*\*\*\*

3 MR. PEIRCE: The meeting will come to order. Governor  
4 Powers is on his way and we will take up certain routine  
5 items before he arrives.

6 First of all, the minutes are O.K., Mr. Kirkwood?

7 MR. KIRKWOOD: The minutes are all right.

8 MR. PEIRCE: I looked them over and they appear to be  
9 in order. The minutes will stand approved as written and  
10 so will be the order. Now, which items do you want to take  
11 up? Do you have some routine items?

12 MR. PUTNAM: We will start here on page 1, I would think.

13 MR. PEIRCE: You have a couple items on the Monterey  
14 Oil Company about extending their permit at Huntington  
15 Beach. How about taking those first?

16 MR. HORTIG: Page 33 of the supplement, Mr. Peirce.

17 MR. PEIRCE: Page 33 - deferment of drilling require-  
18 ments - Monterey Oil Company, Huntington Beach.

19 MR. PUTNAM: Frank?

20 MR. PEIRCE: Mr. Hortig.

21 MR. HORTIG: In summary, as the Commission is aware,  
22 Monterey Oil Company is lessee under Lease P.R.C. 1549.1,  
23 having conducted extensive exploration operations on the  
24 lease at Huntington Beach and from the evaluation of the  
25 data thus obtained they have decided it would be advisable  
26 to drill additional holes, but the equipment necessary for

1 this type of operation will probably not be available until  
2 January 1958 and in consideration of the exploration that  
3 has gone on before and the exploration which they desire to  
4 make in the future, it has been requested, and the Staff  
5 do recommend, that Monterey Oil Company be granted a defer-  
6 ment until September 1, 1958 within which to drill further  
7 operations under Oil and Gas Lease P.R.C. 1549.1.

8 MR. PEIRCE: Any questions?

9 MR. KIRKWOOD: I move.

10 MR. PEIRCE: All right. The recommendation of the  
11 staff is approved. Do you have another item?

12 MR. HORTIG: We do, on an adjoining lease as held by  
13 Signal, Hancock and Richfield -- preceding page, 32.

14 MR. PEIRCE: Preceding page, yes.

15 MR. HORTIG: On the lease adjoining the lease on which  
16 you gentlemen have just acted, Signal, Richfield and Hancock  
17 as the joint lessees have similarly undertaken explorations  
18 and have had difficulties in evaluating the data, and the  
19 same type of program and results thereof will be applicable,  
20 or should be applicable, to determination of further action  
21 under P.R.C. 1551.1 Therefore, in accordance with the  
22 request of the lessees and on recommendation of the staff,  
23 it is recommended ....

24 (Governor Powers arrived at this point)

25 MR. HORTIG: .... that drilling and operative require-  
26 ments be granted to Signal, Hancock and Richfield to

1 January 1, 1958.

2 MR. PEIRCE: Mr. Kirkwood moves.

3 MR. POWERS: I second.

4 MR. PEIRCE: Governor Powers seconds the motion that  
5 the recommendation of the staff be approved, and so will  
6 be the order.

7 MR. HORTIG: We may go to page 34, Mr. Peirce, and we  
8 could wind up this series. We are jumping geographically  
9 to another area with the same recommendation for deferment  
10 of drilling and operating requirements of P.R.C. 308 and  
11 309 to January 1, 1958.

12 MR. KIRKWOOD: What is the type of lease that covers  
13 this area?

14 MR. HORTIG: These leases were all awarded on public  
15 bid, sliding scale. That is P.R.C. 308, 309. The two  
16 previous were awarded on specified bonus and sliding scale.

17 MR. KIRKWOOD: This is as good terms as we could get.  
18 All right.

19 MR. POWERS: Second.

20 MR. PEIRCE: Moved and seconded and so will be the  
21 order. Now, Mr. Pyles, does that take care of you? You  
22 can catch your plane now. He has to catch a plane.

23 MR. PUTNAM: I think Long Beach wants to catch a plane too.

24 MR. PEIRCE: Now, we have a number of people here from  
25 Santa Barbara and I wonder if we can't go into the Santa  
26 Barbara question at this time. You have a progress report

1 report with respect to that, Colonel?

2 MRS. STAHL: Page 79.

3 MR. PEIRCE: Mr. Thomas is here. Is Senator Hollister  
4 here?

5 SENATOR HOLLISTER: Yes.

6 MR. PEIRCE: O. K., Jack, you were hiding. And  
7 Assemblyman Holmes? He was here a minute ago. Now, let's  
8 proceed with the Santa Barbara item. Colonel, are you  
9 going to handle this or Mr. Hortig?

10 MR. PUTNAM: Mr. Hortig. I had a slight smashup and  
11 can't talk too well.

12 MR. PEIRCE: That's too bad. Mr. Hortig, will you  
13 proceed?

14 MR. HORTIG: Page 79. MR. PEIRCE: Page 79.

15 MR. HORTIG: At the meeting of the Commission on  
16 May 13, the Commission authorized the Executive Officer to  
17 appear before the Council of the City of Santa Barbara at a  
18 hearing on May 23rd to oppose the proposed annexation of  
19 tide and submerged lands. At the hearing the State presented  
20 data relative to the estimated value of the area proposed  
21 to be annexed, estimating a value of \$40,000,000 for these  
22 lands. This view was disputed by consultants for the city  
23 and Pacific Gas Lighting Supply Company supplementally made  
24 independent presentation, contesting the valuation of the  
25 lands held by them as evaluated by the city. The appraiser  
26 employed by the city made value determinations as shown at

1 the bottom of page 79 in the calendar before the Commission,  
 2 following which the city accepted these appraisals and by  
 3 unanimous vote passed an emergency ordinance annexing the  
 4 offshore sanctuary area and airport. Representatives of  
 5 unincorporated area adjoining expressed their views.  
 6 Following this, a resolution was passed ending the proceed-  
 7 ings and there is a final annexation ordinance to be effec-  
 8 tive the end of this month unless the ordinance is revised  
 9 or modified as a result of further representations of the  
 10 City Council of the City of Santa Barbara or as a result of  
 11 judicial review.

12 MR. POWERS: Well, in the question here, Mr. Hortig,  
 13 Mr. Chairman, there isn't any argument on "A" - "The State  
 14 of California is the owner of over fifty percent of the  
 15 value of the lands"? There is a question of the value of  
 16 \$40,000,000, but there isn't any question of the percent?

17 MR. HORTIG: As far as the area, the State is probably  
 18 owner of ninety percent of the area, but the question is of  
 19 the value.

20 MR. POWERS: I am speaking of the percent of the value.  
 21 You say here "Fifty percent of the value of the lands pro-  
 22 posed to be annexed". I am just asking this question. I see  
 23 they question the \$40,000,000, but do they question the fifty  
 24 percent?

25 MR. KIRKWOOD: You see the values down there at the  
 26 bottom. \$1,600,000 is all they gave to the tide and

1 submerged lands.

2 MR. POWERS: Well, I can't get this straight in my  
3 mind. They question the value of \$40,000,000.

4 MR. HORTIG: Right.

5 MR. POWERS: You can see that. But then the State of  
6 California is owner of over fifty percent of this property  
7 of the value .....

8 MR. HORTIG: I think I can clarify that, Governor.  
9 Our contention was that inasmuch as our evaluation of the  
10 State lands was \$40,000,000, that that \$40,000,000 is more  
11 than fifty percent of the total value of all lands proposed  
12 to be annexed. However, the City of Santa Barbara in their  
13 own appraisal assigns only \$1,600,000 on the same land we  
14 value at \$40,000,000, and \$1,600,000 is less than fifty  
15 percent of the total value by the city's appraisal.

16 MR. POWERS: Then if we took it down to the city's  
17 appraisal, we have a percentage on that \$1,600,000?

18 MR. HORTIG: We have the percentage on the \$1,600,000.  
19  
20 The \$1,600,000 is less than fifty percent of the municipal  
21 airport, the University of California property and the  
22 Pacific Lighting Reservoir as valued by the city.

23 MR. POWERS: I see.

24 MR. PEIRCE: Mr. Kirkwood.

25 MR. KIRKWOOD: I was going to say, Mr. Chairman, it was  
26 my recollection that last time we authorized the staff to

1 go down and file the protest and to appear in Santa Barbara,  
2 more or less after consultation with the Attorney General's  
3 office, in the feeling that this was the only way the State  
4 could protect its interest in this property and all .....

5 MR. PUTNAM: Not the only way, sir. There is still  
6 court.

7 MR. KIRKWOOD: I mean that was the necessary first  
8 step. I am curious as to what the reaction of the Attorney  
9 General is at this stage of the game, as to what we should  
10 do. Do you have a recommendation?

11 MR. HASSLER: Mr. Kirkwood, we appeared at the meeting. We  
12 offered affidavits -- I am now addressing myself to the  
13 \$40,000,000. We offered affidavits of this to Mr. Lewis  
14 (phonetic) and Mr. Lewis testified the value of \$29,000,000  
15 plus a bonus value of \$5,000,000, or a total of \$34,000,000.  
16 The city, I think had determined correctly, that they would  
17 receive hearsay evidence in the nature of an affidavit only  
18 as cumulative and would not allow it to support a finding.  
19 I think the State put on testimony of \$30,000,000, not  
20 \$40,000,000.

21 It is my opinion and I am reasonably sure it is the  
22 opinion of the Attorney General -- I qualify that because  
23 I have not personally talked to Mr. Brown about it -- it is  
24 my opinion that the city was bound to accept the testimony  
25 offered by the State, the testimony we offered, as conclusive  
26 on the city; and the city must make a determination in the

8

1 nature of a determination a court would make, of findings  
2 of fact on evidence conclusive on the court. It is my  
3 opinion that the Public Resources Code, which gives exclusive  
4 jurisdiction to State Lands, means that only the State Lands  
5 Commission can assess an appraised value. It is necessary  
6 to get a proper appraisal. We have access only to informa-  
7 tion the State Lands Commission can have, can possibly be  
8 available to anybody under the law or any way. I think it  
9 makes sense that the State Lands Commission alone may assess  
10 the value of the land. I think the city erred in law and  
11 that the annexation, purported annexation, was illegal.  
12 There were other grounds for error, but I think the only  
13 one that would immediately concern the Commission was the  
14 one I just mentioned.

15 MR. KIRKWOOD: It is your suggestion, then, that we  
16 should take further action in this matter?

17 MR. HASSLER: Yes sir, that would be my suggestion.

18 MR. KIRKWOOD: Mr. Chairman, I do not know what kind  
19 of a hearing we want to conduct on this, whether you want to  
20 formalize this by a motion or not. I think with the Attorney  
21 General suggesting that we should give him the authority to  
22 take further action, offhand I would say we should. I don't  
23 want to cut anybody off from arguing for or against ...

24 MR. POWERS: We don't have any alternative.

25 MR. PEIRCE: We are guided on questions of law by the  
26 recommendations of the Attorney General and Mr. Hassler has

9  
1 expressed his opinion that the Attorney General's office  
2 should proceed to protect the State's interest in this  
3 regard; and I infer from what you have said, Mr. Hassler,  
4 that you are requesting that we approve the procedure that  
5 you have outlined and that on the basis of our recommenda-  
6 tion you will proceed in behalf of the State.

7 MR. HASSLER: Well, yes, as attorney for the Commission,  
8 it being entirely up to the Commission what it wants to do;  
9 but if it is the pleasure of the Commission, we will cer-  
10 tainly take it up. It is my opinion that it is an error  
11 of law. There was reason for appearing at the hearing and  
12 I would suggest that we go ahead.

13 MR. KIRKWOOD: I would so move, Mr. Chairman.

14 MR. POWERS: I will second that.

15 MR. PEIRCE: The motion has been made and seconded,  
16 but before the question is put ..... Mr. Tomlinson, you  
17 are City Attorney representing Santa Barbara?

18 MR. TOMLINSON: I am the incumbent City Attorney, Mr.  
19 Chairman and members of the Commission, and have taken  
20 office on June 1st. I would like to make this expression  
21 in response to Mr. Kirkwood's comment and in reference to  
22 the Chairman's own comment on the matter of the Commission's,  
23 the Land Commission's recommendation. It occurs to me, sir,  
24 or gentlemen, that the Attorney General as the law officer  
25 of the State of California -- and I am quite sure this is  
26 sound -- may on his own motion proceed in behalf of the State

1 of California if he feels that the State is aggrieved,  
2 particularly in a matter of law. I would see or recognize  
3 no necessity for this Lands Commission, as a stage agency,  
4 making a recommendation to the Attorney General to proceed  
5 to litigate a highly controverted question of law.

6 As stated by Mr. Hassler, as I understand his point,  
7 the principal point he is urging now is the basis of error  
8 in the annexation proceedings, that the State having exclu-  
9 sive jurisdiction over the tidelands it follows that the  
10 State and the Lands Commission have the exclusive authority  
11 of appraisal and every appraisal and for the amount of  
12 appraisal of the tidelands; that regardless of the quality  
13 of evidence adduced in the matter of evaluation, that a  
14 city in making, as directed by law to make, a finding as  
15 to the valuation, must accept without question that evidence  
16 adduced by the State in reference to such value.

17 Now, to digress a moment, I attended on an informal  
18 basis, unofficial basis, this hearing or a large portion  
19 thereof and audited the testimony adduced by the Lands Com-  
20 mission and Mr. Hassler. I also audited the testimony  
21 adduced by the city from qualified and competent oil,  
22 petroleum, geologists. Speaking of my impression at that  
23 time, I would say that the hearing was handled and conducted  
24 in an eminently fair and proper manner and the record will  
25 so show. A transcript -- I mean the hearing was reported --  
26 a transcript is being prepared. It is extensive. It is

1 voluminous. Mechanically, it has not been completed, I  
2 understand, Mr. Rickard? It will be available soon.  
3 Based on my first premise, then, I mean it will be avail-  
4 able for the consideration of the Land Commission if it  
5 wishes, sees fit to study it further, and certainly it  
6 will be available to the Attorney General's office when  
7 it is completed.

8 Therefore, alluding back to my basic point, I don't  
9 believe it is incumbent in any wise or manner for this  
10 agency, the Lands Commission, to even make a recommendation  
11 to the Attorney General, who has the obvious inherent auth-  
12 ority to proceed on his own motion in this matter; and I  
13 suggest, sir and gentlemen, that if the Attorney General  
14 makes his own determination on matters of law, so be it,  
15 but I can see no necessity legally for this Commission to  
16 make a recommendation as to the law suit. In other words,  
17 aren't we sort of transposing positions here? The clients  
18 telling the lawyer when and how to sue rather than the  
19 lawyer saying "We have been aggrieved, we will sue, we  
20 have the authority to sue on our own motion"? Thank you.

21 MR. PEIRCE: Mr. Hassler, what is your advice with  
22 respect to Mr. Tomlinson's comment that no action is nec-  
23 essary by State Lands Commission in order to permit you to  
24 proceed in behalf of the Attorney General of the State of  
25 California?

26 MR. HASSLER: It would be this, sir -- the Attorney

1 General to my knowledge has inherent authority only in the  
2 nature of .... (unintelligible to reporter). We normally,  
3 as the Commission knows, do not take a position in a law  
4 suit if our client does not want to. At the moment there  
5 is an annexation pending. The City of Santa Barbara passed  
6 in connection with this proceeding two ordinances, one an  
7 emergency one, effective immediately, one a regular ordinance  
8 effective thirty days after publication, which I believe  
9 will be June 30. There is an office policy or rule that if  
10 a regular ordinance will be effective, we bring a writ of  
11 quo warranto to test the validity of the urgency of the  
12 measure, which in this case is now effective. The rule of  
13 law, sir, is this -- that will only lie to test an ordinance  
14 which is an accomplished fact. It cannot test a proceeding  
15 in the nature of an ordinance which is not yet completed.  
16 Mandamus or certiorari would be the remedies in that situa-  
17 tion. My suggestion would be that the ordinance, the regu-  
18 lar ordinance which is not yet effective, be tested by  
19 mandate or certiorari, that the papers be filed in sufficient  
20 time that the alternative writ may be served on the city  
21 at a time when the city can do something, in other words,  
22 several days before the 30th of June. In that case, the  
23 Attorney General would bring the action for the People by  
24 and through the State Lands Commission. We have no inherent  
25 authority I know of to bring an action without the direction  
26 of our client. I would say that if we are to test the

1 matter promptly and at this stage, we should do it by man-  
 2 late or certiorari. I know of no case concerning an annexa-  
 3 tion proceeding where the Attorney General as such has  
 4 brought a writ of quo warranto. We have the power, but we  
 5 never do it independently.

6 MR. KIRKWOOD: Mr. Chairman, it seems to me, too, that  
 7 we as a Commission have a real interest in knowing what our  
 8 responsibilities are and what <sup>our</sup> are rights are, and that was  
 9 basically the reason we suggested that the protest be filed  
 10 in the beginning. I can't quite concede this is a thing  
 11 where we are telling the attorney what to do. The attorney  
 12 is advising us, his client, on our rights and responsibili-  
 13 ties and indicating that in the conduct of those responsi-  
 14 bilities that we ought to authorize him to move into this  
 15 situation. I think that is the proper way for us to act.

16 MR. TOMLINSON: May I comment in this manner -- that the  
 17 Commission has before it now the very barest form of report  
 18 as contrasted with a transcript of this proceeding, of I  
 19 assume several hundred pages of testimony. If Mr. Hassler,  
 20 if the Attorney General feels that an error of law has  
 21 occurred, it seems to me that might be discussed further if  
 22 we want to go into the merits of that particular point. I  
 23 am sure there are others. It has been said, for example,  
 24 that litigation involving this question of evaluation as  
 25 indicated by this report would open a literal Pandora box  
 26 of questions before a trial court, to be reviewed by higher

1 courts later on. I say that this report is inadequate to  
2 form the basis of an intelligent and deliberated conclusion  
3 or thoroughly deliberated conclusion of the Lands Commission  
4 at this time.

5 MR. KIRKWOOD: We are not binding the Attorney General  
6 to any particular course of action. As I understand it,  
7 we are suggesting that he be authorized to represent us  
8 as he sees fit in establishing our rights and responsibili-  
9 ties. I don't know how else you would do it.

10 MR. TOMLINSON: Well, Mr. Kirkwood, we still haven't  
11 eliminated the proposition that the Attorney General is the  
12 chief law officer, has inherent authority to move and act.  
13 If, as a matter of policy, they don't act unless the client  
14 agency requests them to, I can't speak to that as a matter  
15 of policy. It seems to me before we lose the point I would  
16 like to call Mr. Rickard and discuss the points you have  
17 raised, if we may.

18 MR. PEIRCE: Mr. Rickard.

19 MR. THOMAS: Is Mr. Rickard representing the City of  
20 Santa Barbara?

21 MR. TOMLINSON: Yes.

22 MR. THOMAS: As counsel, by contract?

23 MR. TOMLINSON: Mr. Rickard has appeared before this  
24 Commission many times ....

25 MR. THOMAS: I want to know if he has been appointed by  
26 the City Council? Has he been authorized by the City

1 to represent the City of Santa Barbara?

2 MR. TOMLINSON: Not formally. He was invited here today  
3 and I think he is entitled to speak as the City's repre-  
4 sentative, as he has done before.

5 MR. PEIRCE: Mr. Rickard.

6 MR. RICKARD: I am here today as a citizen of the State  
7 of California. I have previously appeared as Mayor. I am  
8 no longer the Mayor, as of the first of June. I have accom-  
9 panied the City Attorney, Mr. Tomlinson, in order to hear  
10 the report of Mr. Hassler, who appeared at the City Council  
11 hearing. I was the presiding officer and conducted that  
12 hearing. The hearing lasted ten hours without interruption,  
13 Mr. Chairman. There is a voluminous transcript of the  
14 record. It appears to me that if this Commission is being  
15 asked to pass judgment upon the decision of the City Council  
16 in that matter, it would be highly advisable to read the  
17 transcript before the Commission comes to a conclusion.

18 There were three legal points raised, two by a private  
19 corporation and one by the Attorney General, that he has  
20 presented to you here. Two ordinances have been read before  
21 the City Council, one an emergency ordinance which was  
22 adopted and is now effective and the annexation document  
23 was filed with the Secretary of the State and is complete.  
24 The second ordinance, a companion ordinance, was a regular  
25 measure following along with the emergency measure and that  
26 ordinance was voted in by the City Council and will become

1 effective as a matter of law thirty days after its publica-  
2 tion, on the date Mr. Hassler has mentioned.

3 Now, then, I deduct from Mr. Hassler's presentation  
4 that there is a choice between legal procedures, if any,  
5 to be taken by the Attorney General: One in the nature of  
6 a mandamus or injunction proceeding prior to the effective  
7 date of the annexation; or, two, certiorari; or a quo warranto  
8 proceeding which would be after the fact of an annexation.  
9 It appears to me that the injunction proceedings would not  
10 be the wise course for the Commission to take in view of the  
11 actual effectiveness of the annexation ordinance already.  
12 Let me state that the Santa Barbara annexation is effective  
13 and valid at this time; that if there is to be a court re-  
14 view, the court review should take the tenor of a quo  
15 warranto proceeding to test its validity after the fact.  
16 That would give the Commission ample time and opportunity  
17 to review the transcript from the viewpoint of the evalua-  
18 tions that Mr. Hassler has presented to you. By that I mean  
19 that during the course of the testimony several geologists  
20 testified. Mr. J. E. Pemberton (phonetic) and Dr. Thomas  
21 L. Bailey (phonetic) both testified on behalf of the city  
22 that there was no value to the tidelands whatever as of the  
23 date of the hearing. The geologist who appeared on behalf  
24 of the Attorney General also stated on crossexamination that  
25 at the date of the hearing he could not place a value on oil  
26 in that sanctuary. Our function at that time was to set the

1 valuation at the date of the hearing. We do not feel that  
2 the findings on valuations are without support in the evi-  
3 dence. We recognize the prerogative of the Attorney General  
4 to test any of the legal points he may have in mind before  
5 the court. We believe it should be tested on a quo warranto  
6 proceeding after the fact of the annexation; and if he asks  
7 the Lands Commission that they do bring such proceedings,  
8 it would appear to me to be appropriate to the Commission  
9 to read the transcript before making such a request. The  
10 transcript is available. It is voluminous. The hearing  
11 was carefully conducted by the City Council and I believe  
12 was fairly conclusive.

13 MR. PEIRCE: Mr. Thomas.

14 MR. THOMAS: This matter of the transcript, gentlemen,  
15 is just a matter that's going to occasion delay. I asked  
16 for that transcript a long time ago. I haven't received it  
17 yet. You don't meet but once a month. We are going to have  
18 to fool around getting a transcript - getting that out and  
19 then you individually reading it -- two or three months are  
20 going to elapse. It's amusing to me that a suggestion would  
21 be made to the Commission that this legal proceeding involv-  
22 ing a legal attack on this accusation should be in one form  
23 only, quo warranto. It seems to me your attorney generals,  
24 who are familiar with the situation and know the legal prob-  
25 lems involved, should not be bound by any suggestions or  
26 dictates that Mr. Tomlinson or Mr. Rickard have informed you

1 this legal attack should take. I see no reason for your  
2 individually reading a transcript which will certainly be  
3 very voluminous, and which I haven't been able to obtain  
4 myself recently. I think the Attorney General's position  
5 is absolutely right, that this annexation is null and void.  
6 The County of Santa Barbara has taken an official stand  
7 here and if Mr. Hortig will read it, the County of Santa  
8 Barbara will be happy to join with the State in attacking  
9 the validity of this purported annexation.

10 MR. PEIRCE: Mr. Hassler.

11 MR. HASSLER: May I comment, sir, on Mr. Rickard's  
12 statement? I don't think the Commission wants to read the  
13 transcript; but in connection with the testimony that was  
14 offered, very briefly it was this: The statement of Mr.  
15 Lewis -- he testified that he had, which he denoted was  
16 peculiar knowledge and nobody else present had that, he  
17 had access to the seismic information, he knew the geology.  
18 He placed what he believed to be a minimum of \$29,000,000  
19 and he was prepared and in his affidavit did state how he  
20 arrived at that figure. He attributed a very low bonus  
21 value. In connection with the statement of Mr. Rickard  
22 that Mr. Lewis said there was no value as to the tidelands  
23 as of the date of hearing, I don't know what he is referring  
24 to unless it be Mr. Richard's statement that the lands are  
25 not presently available due to the Shell-Cunningham Act,  
26 which Mr. Lewis agreed -- the value was there, but they

1 can't be used for that purpose. Mr. Pemberton and the  
2 other gentleman, Mr. Bailey, both acknowledged experts in  
3 their field, freely admitted in crossexamination that they  
4 had no knowledge of that area, they had no geological infor-  
5 mation. I think, and I think the court will believe, they  
6 are not qualified. The man whose testimony was accepted  
7 was a real estate appraiser from Orange County. He knew  
8 nothing of and had never appraised tidelands. He arrived  
9 at his figure by taking the bonus bid at Summerland and dis-  
10 counting the fact that it was several thousand an acre, came  
11 up with fifty an acre because he said "I don't believe any  
12 oil company would bid several thousand an acre if they have  
13 to take 30,000 acres." We asked him whether he knew that  
14 it is the policy of the Commission not to let parcels any  
15 greater than 5700-acre pieces and then checkerboarded. He  
16 didn't know it, but still would not change his opinion.  
17 I think the gentleman was not qualified. I don't think the  
18 findings of the City Council were supported by anything  
19 substantial.

20 At the same time, I don't think it is anything in which  
21 the Commission want to go into detail on. That hearing was  
22 ten hours long, Mr. Rickard stated. I thought it was  
23 longer. We didn't have any dinner, we just got tired. Mr.  
24 Rickard was a perfect gentleman. He handled this very  
25 beautifully. I want to compliment him for it. The City  
26 had its position, we had ours. I think the court should

1 say who is right.

2 MR. PEIRCE: Before we make a decision, Senator Hollister,  
3 have you anything to add at this time?

4 SENATOR HOLLISTER: I am not an attorney. I don't  
5 know too much about these maneuvers, but I think the State  
6 should protect their interest.

7 MR. PEIRCE: Assemblyman Holmes?

8 ASSEMBLYMAN HOLMES: The only thing I have to say --  
9 if they are basing the evaluation of the tidelands on the  
10 oil purported to be there, I just want you to keep it in  
11 mind when you start leasing the land, that you lease it as  
12 proven land and not wildcat area.

13 MR. POWERS: We will take note of that.

14 MR. PEIRCE: Mr. Tomlinson:

15 MR. TOMLINSON: I would like to comment this one word  
16 on the transcript. I assume the usual procedure of the  
17 staff considering the transcript would be followed and the  
18 individual members of the Commission wouldn't be burdened  
19 with a four or five hundred page chore of that character.  
20 I assume it would be by the staff.

21 MR. PEIRCE: Normally we would depend on the staff of  
22 the State Lands Commission to read transcripts and to delve  
23 into other sources of information that could be used as a  
24 basis of their recommendation for us; and it would depend  
25 upon the attorney general's office to do likewise, insofar  
26 as legal considerations are involved. I do not think it is

1 important that the members of the State Lands Commission  
2 spend several hours going through a detailed transcript  
3 of this character. We have to depend upon our advisers for  
4 detailed information on subjects of this character.

5 Is there any further discussion of this matter before  
6 the motion before us is put? Now, the recommendation is  
7 that the State Lands Commission request the Attorney General  
8 to proceed along the lines of Mr. Hassler's suggestion in  
9 the interest of protecting the State in connection with the  
10 proposed annexation of the area adjoining the City of Santa  
11 Barbara. Is there any further discussion?

12 MR. KIRKWOOD: I'd want to be sure that we are giving  
13 a general authorization and not confining the Attorney  
14 General by reason of anything that's in the transcript to any  
15 particular procedure. He ought to be free in the exercise  
16 of his judgment.

17 MR. PUTNAM: We will confer with the A.G.'s office on  
18 the exact wording of this to conform with what you have in  
19 mind, sir.

20 MR. PEIRCE: All right. The motion has been made by  
21 Mr. Kirkwood, seconded by Governor Powers, and so will be  
22 the order. Thank you, gentlemen.

23 MR. POWERS: Our position is the same if it is forty  
24 million or forty cents. We have to protect State property  
25 regardless of value.

26 MR. PEIRCE: Shall we take up Long Beach?

1 MR. PUTNAM: I think so, yes.

2 MR. PEIRCE: All right. Mr. Hortig, will you proceed?

3 MR. HORTIG: Page 28, gentlemen?

4 MR. PEIRCE: Page 28?

5 MR. HORTIG: Page 28 of the supplemental calendar.

6 The item presented here is in conformance with prior monthly  
7 presentations to the Commission, in this instance relating  
8 to the elements of subsidence costs which are to be paid  
9 during June 1957 and payroll force accounts and voucher  
10 payments other than construction during the month of July  
11 1957, in order for the city to proceed with the subsidence  
12 remedial operations which are not covered under contracts  
13 or projects approved on a fiscal year basis as yet, as the  
14 Commission will consider in later items and which will ulti-  
15 mately be included in the fiscal year to be brought to the  
16 Commission probably at the next regular meeting. Therefore  
17 it is recommended that the Commission approve the costs  
18 proposed to be expended by the City of Long Beach, including  
19 subsidence remedial work, in the total amount of \$264,393  
20 as shown on Exhibit A hereof, and the estimated expenditures  
21 in the month of July 1957 in the amount of \$78,000 as shown  
22 on Exhibit B, subject .....

23 MR. KIRKWOOD: These are the ordinary conditions. I  
24 do so move.

25 MR. POWERS: M-m-mh.

26 MR. PEIRCE: Moved and seconded. Any objection from

1 the City of Long Beach?

2 MR. LINGLE: Not on these items, no.

3 MR. PEIRCE: All right. The recommendation is approved.

4 MR. HORTIG: Page 31 of the supplemental calendar.

5 On May 13, the Commission approved the costs proposed to be  
6 expended by the City of Long Beach during May 1957 for cer-  
7 tain property purchases, with the provision that no estimate  
8 should then be made of the amount of subsidence deduction  
9 ultimately to be allowed by virtue of the specified  
10 property purchase and that the City not be authorized to  
11 withhold from revenue due the State any portion of the costs.

12 MR. KIRKWOOD: This is routine, too?

13 MR. HORTIG: It became a new item at the last meeting  
14 of the Commission. In the sense that we have a precedent  
15 from last month, it could be considered routine but is still  
16 subject to objection by the City of Long Beach.

17 MR. LINGLE: Yes, we will accept your approval, naturally  
18 we wish your approval. However, I don't want it to be taken  
19 by the fact I am present and don't say anything, being the  
20 representative of the City Attorney's office, that we assent  
21 in the interpretation of the Attorney General's Office and  
22 I do not know whether the notice made here means it's the  
23 ultimate conclusion. We have had conferences, I need not  
24 go into that, there has been one conference between repre-  
25 sentatives of the City and the Lands Commission and we under-  
26 stood there were to be further conferences on the question.

1 I do want to make sure that my being present and if I  
 2 were silent would not be interpreted that the City in any  
 3 manner assented to the interpretation of the Attorney Gen-  
 4 eral as to whether or not the purchases of these lands are  
 5 elements of subsidence costs.

6 MR. PEIRCE: Mr. Shavelson.

7 MR. SHAVELSON: There was attended by Mr. Friedman,  
 8 myself and the State Lands Commission, a conference in which  
 9 we stated our position as to these acquisitions and the  
 10 City of Long Beach has asked for a written statement from  
 11 us on this and other matters, which will be sent in the  
 12 next few days. In the meantime, the purpose of this item  
 13 is, the staff and ourselves prepared it so as to preserve  
 14 the status quo, so that this difference of opinion will  
 15 prejudice neither the State nor the City, regardless of the  
 16 final disposition made of this; and there is no intent to  
 17 bind the City nor the State to any particular position, but  
 18 merely to assure that they have the prior approval to the  
 19 extent that it is finally determined the amounts are  
 20 deductible.

21 MR. POWERS: I'll second.

22 MR. PEIRCE: Moved and seconded. The recommendation is  
 23 approved. So will be the order.

24 MR. HORTIG: Page 35, gentlemen. In summary of a rather  
 25 voluminous item occupying the next ten pages, 35 to 45, the  
 26 tabulations represent the project proposals by the City of

1 Long Beach . . . .

2 MR. POWERS: That's 35 to 45?

3 MR. HORTIG: 35 to 45, yes sir -- all of the items which  
4 could be included in projects which could be approved on a  
5 fiscal year basis, as the Commission during the last fiscal  
6 year approved some of the work on projects. This now repre-  
7 sents the majority, approximately nine out of twelve ulti-  
8 mate projects, that can be approved on a fiscal year basis,  
9 on which submittals have been made by the City of Long  
10 Beach, which have been reviewed by the staff and are recom-  
11 mended as tabulated herein, that the Commission approve  
12 the costs proposed to be expended on the individual tabu-  
13 lations following, subject to what have been the standard  
14 conditions for both fiscal year and monthly approvals here  
15 before.

16 MR. KIRKWOOD: I do not think there's anything here . . .

17 MR. HORTIG: This is the 1957-58 extension of the pro-  
18 gram we followed for 1956-7.

19 MR. PEIRCE: No objection?

20 MR. LINGLE: No objection.

21 MR. PEIRCE: Moved and seconded, so will be the order.

22 MR. HORTIG: Page 81, gentlemen, the last of the Long  
23 Beach items -- thin in pages, but thick in content.

24 MR. PEIRCE: All right.

25 MR. HORTIG: In February '57, in compliance with Chapter  
26 29 of the Statutes of 1956, the Long Beach Harbor Commissioners

1 submitted to the Commission for approval an amendatory  
 2 agreement constituting an amendment to each of six  
 3 respective drilling and operating contracts in existence  
 4 between the Board of Harbor Commissioners of the City of  
 5 Long Beach and the Long Beach Oil Development Company relat-  
 6 ing to tidelands oil development on designated parcels on  
 7 the area previously granted by the State to the City of  
 8 Long Beach.

9 The proposed amendment would provide for an extended  
 10 water injection program within specified blocks in the  
 11 Wilmington oil field for the purpose of greater production  
 12 of oil than would be had from primary methods. Comprehensive  
 13 study has also been conducted by a consultant engineering  
 14 firm from Oklahoma retained by the Harbor Commission group,  
 15 who are specialists in the field of water flooding as a  
 16 secondary recovery method, who have reported favorably.

17 The proposal has also been reviewed by the staff and  
 18 the Attorney General. The amendment is drafted in broad terms  
 19 to provide the operating flexibility required by a proposi-  
 20 tion of this nature. In water injection, it is possible  
 21 that liability may occur by water encroaching into adjoining  
 22 leases. This is restricted to tidelands areas only and there-  
 23 fore adjoins upland operations. Insurance against such en-  
 24 croachment would be prohibitive if obtainable at all. In  
 25 view of this possible liability, a continuous check will be  
 26 maintained by the State in order to control the advance of the

1 water. Some area unitization will be required undoubtedly  
 2 before the water reaches adjoining land ownerships. Basic  
 3 control of the operation under this amendment will be in  
 4 the City and the contractor, Long Beach Oil Development Com-  
 5 pany. The State will have access to all data and operational  
 6 information and the control provided by the following modi-  
 7 fications to the amendment by specification of -- and these  
 8 are the staff recommendations -- (1) A four million dollar  
 9 limitation upon expenditures which may be made under this  
 10 project without further approval of the State Lands Commis-  
 11 sion. That four million dollars is the total contemplated  
 12 initial cost of the operation as proposed by the City of  
 13 Long Beach, with an adequate factor of safety in addition.  
 14 In any foreseeable operation within the scope proposed now,  
 15 the four million will not be expended.

16 (2) Requirement for approval of State Lands Commission  
 17 of any termination of the water flooding project. As cur-  
 18 rently drafted, the amendment would provide that once the  
 19 Commission had approved it, the City could terminate it at  
 20 any time at their own discretion, without notice or comment  
 21 or report to the State Lands Commission. As a matter of  
 22 fact, it could result in a retroactive report that the project  
 23 had been terminated some time back, except that it would be  
 24 known to the State by reason of its continuing field inspec-  
 25 tions of the operation.

26 (3) Definitions of the phrases "maximum economic recovery"

1 and "ultimate maximum economic recovery". On that point  
2 I should like to report to the Commission that the City of  
3 Long Beach as of yesterday delivered a declaration of  
4 construction, defining the phrase "ultimate maximum economic  
5 recovery" as it is to be interpreted under this amended  
6 contract, which declaration is executed on behalf of the  
7 Long Beach Harbor Commission and the Long Beach Oil Develop-  
8 ment Company. It is very difficult to assign a definition,  
9 nevertheless having a definition in writing that all parties  
10 will work toward will accomplish the purpose of this require-  
11 ment which we have listed in Condition 3, leaving only two  
12 conditions to be discussed this morning.

13 Therefore, it is recommended that the Commission  
14 approve the amendatory agreement with respect to the six  
15 drilling and operating contracts, as submitted by the Long  
16 Beach Harbor Board, subject to the adoption of the following  
17 additional amendments, either by way of amendment of the  
18 contract or by separate letter of understanding in whatever  
19 area the Attorney General's office would feel it is mechani-  
20 cally practical to do so. The two requirements are that  
21 there be included a four million dollar limitation of expendi-  
22 tures which may be made on this project without further  
23 approval of the Commission and (2) a requirement for approval  
24 of the Land Commission on some form of cooperative review  
25 and understanding as to termination of the water flooding  
26 project.

1 The City of Long Beach certainly wish to make a  
2 presentation on this.

3 MR. PEIRCE: Mr. Vickers.

4 MR. VICKERS: Thank you, Mr. Chairman. My name is  
5 Sam Vickers, City Manager, and we have other representatives  
6 of the city today assembled here, Frank Hardesty, petroleum  
7 engineer, and Mr. Philip Brady, City Attorney, representing  
8 the city in this matter. In the staff report you have, there  
9 is concurrence in the amendment here before you except in  
10 some minor details.

11 Number 3, as mentioned, the definition of maximum  
12 economic recovery and the ultimate maximum economic recovery --  
13 there was an agreement on this point and we suggested that  
14 this matter be handled by letter so as not to require going  
15 back and actually amending or changing the amendment itself,  
16 the contract itself.

17 Now, there is disagreement on items 1 and 2 and in  
18 discussing it let me go back briefly to AB 77, the com-  
19 promise bill by the Legislature roughly a year ago. This  
20 bill gave the State Lands Commission the right to approve  
21 all future contracts and the right to approve all amendments  
22 to existing contracts, and it requires that any future  
23 contracts be let by competitive bidding and requires the  
24 filing of the forms for competitive bidding with this body  
25 and requires your approval. Those items we accepted in  
26 their entirety. It also contemplates, and it's the general

1 policy of the State, that there shall be full local powers  
 2 covering operations, that the City will act as a trustee,  
 3 and we feel that we certainly are competent, and the policy  
 4 to date is that the State shall share in the proceeds.

5 If you will note in the recitation here by the staff,  
 6 the paragraph leading up to these items - "Control of the  
 7 operation will be in the city and the contractor; that the  
 8 State will have access to all data and operational information."  
 9 We certainly think that is appropriate and necessary. But  
 10 they go on to say "and the control provided by the following  
 11 requested modifications ....."

12 Here we come to a change in policy, where we have an  
 13 encroachment upon local economy, the control of the city.  
 14 These provisions are just not acceptable to the city. We  
 15 suggest in lieu thereof, a full accounting and recitation  
 16 here to the Commission before actions such as are contem-  
 17 plated are taken. If we should exceed the four million  
 18 dollars in this program, we certainly would agree to sub-  
 19 mitting the information to this Board and fully apprising  
 20 you of the fact before such action is taken. Secondly, if  
 21 we find it is necessary to cease operations, we certainly  
 22 think it would be appropriate to inform you adequately and  
 23 carefully, with a full recitation of the facts, before the  
 24 action is taken. But we just cannot accept and do object  
 25 and hope you will continue the current policy and not require  
 26 this additional control which is suggested here. Our

1 suggestion would be, and we certainly urge, that you con-  
2 sider our request. It's a very serious one with us. We  
3 hope our intentions in this matter will be in a supple-  
4 mental letter and the contract will go through as it is.  
5 You have one important matter involved in an action of this  
6 type, that is, the appropriation for the Long Beach Ship  
7 Yard in the way of subsidence money. We have had a hearing  
8 just recently before the House Subcommittee, so we are  
9 expecting an early answer as to our success in getting along  
10 with the voluntary water injection program. It is important  
11 to us and we certainly hope you can favor us in continuing  
12 the present policy of the State.

13 MR. HORTIG: In view of Mr. Vickers' comments, this  
14 may be as much a problem in semantics as anything. I  
15 certainly think I can assure, on behalf of the staff, there  
16 wasn't any ulterior motive or change in policy in the word  
17 "control". As a matter of fact, looking at it now and in  
18 that light, to clarify it, it could just as readily have  
19 read and possibly <sup>should</sup> will "and the assurance of requested  
20 modifications" rather than the "control".

21 Our problem in recommending approval of this contract  
22 was that in the form in which it is stated, immediately upon  
23 approval by the Commission without a limitation the Commission  
24 would have signed a blank check insofar as expenditures which  
25 the City of Long Beach could undertake in connection with  
26 this project, which the City's own engineering estimates

1 indicate not more than three million dollars, on which we  
2 have added for safety another million, making it four mil-  
3 lion, which they may never reach; and while this is all  
4 that is foreseeable with respect to the scope and magnitude  
5 of this project, Mr. Vickers feels that there should be no  
6 such limitation stated, that once the project has been  
7 approved by the Commission the only further requirement on  
8 the City of Long Beach be that they report to the Commission  
9 what excess funds they would expend, but those excess funds  
10 would have approval without going into them.

11 As to the water flooding, I believe that can be  
12 covered very definitely in the manner covered by Mr. Vickers,  
13 on the firm understanding that there will be the cooperative  
14 notice and discussion any time that it should appear to the  
15 City that the project should be terminated, in order that  
16 all parties can be informed.

17 It is the non-cooperative language of the amendment --  
18 which, in effect, says once the Commission has approved this  
19 the City can proceed and has no obligation whatever to give  
20 notice to the Commission -- that caused the drafting of this  
21 suggestion, that we have a basis for understanding on that  
22 point.

23 From Mr. Vickers' statement, I believe we have the  
24 basis for the understanding, or simply an understanding here  
25 that this project is going to be operated cooperatively,  
26 without the Lands Commission wishing to change policy, going

1 to be operated cooperatively so that the Lands Commission  
2 through its staff can be reasonably informed of what is  
3 going on, is the simple goal to be achieved.

4 That gets us to the one question, whether the Commis-  
5 sion feels it is desirable, as a condition to approving the  
6 contract, to approve a contract without any dollar limita-  
7 tion whatever. If there must be an approval under the  
8 present statutes, there must be a reason for approval, and  
9 I do not feel that simply automatic approval without review-  
10 ing the contents of the contract or without suggesting  
11 modifications or conditions was ever contemplated under  
12 Chapter 29.

13 MR. PEIRCE: If we should approve this limitation, it's  
14 always possible to review the matter at some future date,  
15 isn't it?

16 MR. HORTIG: At any time -- and the factor of safety  
17 that was put in the suggested limitation was predicated  
18 on the thought that this would give a time in which the  
19 City could discuss with the Commission any further augmenta-  
20 tion and would, under any reasonable operating circumstances,  
21 give adequate time so that at no time would the project be  
22 hampered in any way by this limitation as long as the  
23 project stays within the concept of the present amendment;  
24 and I feel if the concept is changed, I feel in all equity  
25 the City should present it to the Commission for approval.  
26 This would be an amendment to the amendment.

1 MR. PUTNAM: Mr. Shavelson has put some thought into  
2 this.

3 MR. KIRKWOOD: The way the amendment reads, it says  
4 "We are asking for an amendment to the agreement." That  
5 isn't necessary, is it? The language from the City is all  
6 that would be necessary.

7 MR. HORTIG: Yes, whatever would accomplish the mechanics  
8 of it.

9 MR. PEIRCE: Jay?

10 MR. SHAVELSON: We did write a rather lengthy, informal  
11 opinion on this contract pursuant to Colonel Putnam's  
12 request. The main function of our opinion was to point out  
13 the consequences of the language. We don't think that there  
14 are any inherent limitations on what the Commission may  
15 approve, except the very general one, that we feel that the  
16 Commission should not give approval in such broad terms that  
17 major policy changes could be made within the terms of the  
18 amendment without further action by the Commission.

19 I think we agree essentially with Mr. Vickers, that the  
20 City remains trustee and has the day to day responsibility  
21 for carrying out the policy objective, but that they  
22 shouldn't be able to change that policy objective without  
23 coming to the Commission.

24 MR. VICKERS: Mr. Chairman, this in our opinion consti-  
25 tutes really the first inroads into local control and to our  
26 operation as trustees, so we are quite concerned with it.

1 We like the suggestion here of Mr. Hortig and we would be  
2 favorable to writing a letter to you. There is considerable  
3 cushion in the four million dollars -- we do not anticipate  
4 we will reach it. If we do, the more that's expended, the  
5 more it gives into the City's revenue and the State's as  
6 well. We certainly would agree to review with the Com-  
7 mission our full situation if there is an expenditure over  
8 the four million dollars and our reasons for making the  
9 expenditure.

10 Secondly, we would agree by letter to fully advise the  
11 Commission of any prior termination of the agreement and  
12 we are hopeful we can work this out that way.

13 MR. KILKWOOD: I can't quite understand why this is a  
14 different policy. You are setting up something new here,  
15 Mr. Vickers. As I understand our responsibility, it is to  
16 review the projects that the City undertakes and be sure  
17 from the standpoint of expenditure and soundness of them  
18 that they are in the best interests of the State of Cali-  
19 fornia, as well as the best interests of the City of Long  
20 Beach; that once having approved a given project, the admini-  
21 stration of the project is by the City. But where you have  
22 a contract, as I understand this one is, that is sort of  
23 open-ended and if we approve the contract in toto we also  
24 in effect delegate to you our authority to pass on what might  
25 be quite radical changes in the project and radical changes  
26 in the concept of the amount to be expended, to that extent

1 it seems to me we are going beyond our authority if we  
2 approve this. I don't see that we are changing the principle  
3 under which we are operating.

4 MR. VICKERS: If we can go back to AB 77, it deals with  
5 our responsibility to the State and we spent a number of  
6 weeks working with a member of the State offices. This was  
7 one of the important points -- this bill was a gentlemen's  
8 agreement, compromise on the bill, and it left full control  
9 with the City.

10 MR. KIRKWOOD: What full control?

11 MR. VICKERS: Full control over all operations in the  
12 field area as trustee.

13 MR. KIRKWOOD: You mean if you came up to us and said  
14 "We want to spend \$75,000,000," half of which would come out  
15 of State funds, that we have no right to review that expenditure  
16 ture? It is my understanding we do.

17 MR. VICKERS: The expenditures you are reviewing are  
18 expenditures made pursuant to a formula here.

19 MR. KIRKWOOD: I am thinking of the actual operation of  
20 the property and nothing that's going to come under the  
21 subsidence thing.

22 MR. VICKERS: Section 10 here refers to future contracts,  
23 royalty arrangements. Those are to be brought before you.  
24 It covers the matter of bidding on future contracts and the  
25 plans must be brought before you. It has the broad general  
26 language that amendments to contracts must be brought before

1 you for your approval. These are acceptable, of course, in  
2 the law and that's what we are doing here.

3 MR. KIRKWOOD: We are not, certainly, supposed to just  
4 rubberstamp those approvals, are we, Mr. Vickers?

5 MR. VICKERS: No, but we don't think we ought to go  
6 behind this agreement and start tying the hands of the  
7 trustee, a reasonable trustee. Certainly we are diligent  
8 and we think we should operate as a trustee without strings.

9 MR. KIRKWOOD: I don't think we are asking for control  
10 on detailed things, but my understanding was, and I thought  
11 we discussed this at an earlier meeting, in a sense this  
12 Commission retains budgetary control for the State, to see  
13 that State funds are not misspent; and in order to do that  
14 we have to review, in effect, the engineering feasibility  
15 of the project and also the cost of that project, and if we  
16 feel that either of those is out of line then it would be  
17 our obligation under the act you have before you to refuse  
18 to approve.

19 Now, once having approved those aspects, then the  
20 administration is completely in your hands and you have  
21 the local control. Am I wrong in that interpretation of  
22 the act?

23 MR. VICKERS: Mr. Brady will talk on the problem.

24 MR. BRADY: Mr. Kirkwood, I agree with you that since  
25 we have Chapter 29 1956 with us, that it is not the position  
26 of the City of Long Beach that they can come up and say

1 "This is what we are going to do" and you say "All right"  
2 and give it a rubberstamp approval. I think you are correct  
3 in that regard, because while the local direct operation  
4 is vested in the Board of Harbor Commissioners, the State  
5 still has a financial interest to protect and based also  
6 upon the sound economic feasibility of the project itself.  
7 That's what we are here for today. I think we came prepared  
8 with a scientific engineering study by Mr. (not intelligible)  
9 which I think the Lands Commission staff is in accord with.

10 We now have an amendment which indicates that this  
11 project will entail the expenditure of four million dollars  
12 and Mr. Hortig has pointed out there is a reasonable cushion  
13 of one million dollars' latitude. That was suggested by  
14 Mr. Kealer, one of the members of our local council, he  
15 being familiar with the oil industry, to cover those in-  
16 stances where, in this water injection program, it might  
17 be necessary to offset certain ... Mr. Hardesty, our  
18 engineer, could explain more details if you desire to  
19 hear them.

20 We have more or less agreed in principle upon the four  
21 million dollars, that is at the outset of the amendment.  
22 Now, the four million dollars as such is inherently tied in  
23 with the operation; in other words, how that four million  
24 dollars is going to be spent, what it is going to be util-  
25 ized for, and how the program is going to be developed.

26

1 I think you are absolutely right, that if we came to you  
2 with the representation that this was going to cost four  
3 million dollars and then turned around and started to build  
4 up eight, ten, eleven million dollars in cost over the  
5 four million initially approved, that that would not be  
6 the intent of Chapter 29, nor is it in keeping with our  
7 present thinking. But when we get into the proximity of  
8 the total use of that four million dollars and see that the  
9 program is going to need perhaps another five hundred  
10 thousand or something like that to go on, we feel that that  
11 is such a part of the operation itself that we should have  
12 the flexibility of carrying the program to its conclusion.

13 However, it was the thinking of both the Harbor Board  
14 and the City Council that the State does have direct finan-  
15 cial interest in the proceeds to be derived and that before  
16 we came to the point where we would have to exceed that  
17 four million dollars that a complete explanation should be  
18 given, based upon engineering survey and data that would  
19 be supplied, which would justify that expenditure. I think  
20 when we get to that point that the thinking of the Lads  
21 Commission staff and that of our own petroleum division  
22 will be in accord as to whether that excess amount will be  
23 necessary. I think you are absolutely right that it would  
24 not be anticipated that we would start with a four million  
25 dollar project and skyrocket it to ten or twelve million.

26 MR. KIRKWOOD: Or that the program which, as I understand

1 it has been outlined, calls for certain types of drilling  
 2 and certain locations, and so on, but the contract is  
 3 broad enough that that could be doubled in scope or tripled  
 4 in scope if we approve the contract without setting a  
 5 limitation on that. Am I wrong on that? That was my  
 6 understanding, that the contract is wide open. Unless we  
 7 say if you have an expansion under the contract that you  
 8 come back to us for approval, an extension of the type of  
 9 thing you are proposing, then it seems to me we aren't  
 10 holding what the bill says we should hold -- our check on  
 11 the thing.

12 MR. BRADY: Of course the contract and the operation  
 13 under the contract is based upon good oil field practice and  
 14 I think the Lands Commission staff will concede that the  
 15 operations of the Petroleum Division of the Harbor Depart-  
 16 ment of Long Beach has done a pretty fair job to date.  
 17 I think it comes down to this, shall we say the credence  
 18 or the good faith with which the Lands Commission is going  
 19 to entrust the local Harbor Board in future operations is  
 20 in the proposed amendment. I think we envisage close co-  
 21 operation with the Commission. I think that perhaps the  
 22 other position to take, the other remote extreme of going  
 23 wild, the Harbor Board has never done that in the past and  
 24 I see no reason why they would do that in the future.

25 MR. PUTNAM: Mr. Chairman, our only thought is that we  
 26 did not want to give them a blank check; put some limitation

1 well above their present estimates that will give them  
 2 plenty of time, in case their type of operation changes or  
 3 the extent of their operation changes, to get a modification  
 4 of this limitation. Now, I think that's very reasonable.

5 MR. KIRKWOOD: If the project has the approval -- I  
 6 mean, if the things that were set out as what is proposed  
 7 to be done has the approval of the staff, I can't get too  
 8 excited about some slight overage in the cost of putting  
 9 that project into operation. If it makes sense to embark  
 10 on the project, I wouldn't expect that if it ran to four  
 11 or five instead of four, or something of that sort, as long  
 12 as that project was adhered to, that we would be arbitrary  
 13 at all in approaching it.

14 On the other hand, if quite a different engineering  
 15 thing is developed and put into operation under this con-  
 16 tract, which I understood it could be, then it seems to me  
 17 that ought to be brought to us for review.

18 MR. BRADY: Mr. Chairman, may I make one further obser-  
 19 vation we might have overlooked. I think the economy of  
 20 the contracts themselves will control the expenditures  
 21 Long Beach Oil Development would make. They are anxious to  
 22 get into this contract related to the balance of their term,  
 23 which is approximately up at the end of March or April of  
 24 1964. That's why, economically, they have to have a pay  
 25 off in order to get their reimbursement under the percentage  
 26 of the drilling and operating contract, as a matter of

1 practicality. I would think the Board would be in a very  
 2 difficult position to attempt to get the Long Beach Devel-  
 3 opment Company to expand in excess of the four million if  
 4 they could not see that they were going to be in the balance  
 5 of the contract able to receive that from the increased  
 6 rate of production.

7 I agree with Mr. Kirkwood there is an area there  
 8 where you have a reasonable overage, where the flexibility  
 9 in that regard should be left with the Board as a part of  
 10 management. I agree also with you gentlemen, that you  
 11 should not have an open-end agreement. I think the  
 12 practicalities of the situation will adjust themselves to  
 13 the four million and long before, if any amount other than  
 14 a very nominal sum were to be expended under this program,  
 15 I think it would be only right that the matter be discussed  
 16 fully with the Land Commission staff and anybody you deem  
 17 necessary.

18 MR. KIRKWOOD: Jay, do you think that some official  
 19 action by the City would be sufficient or do you think we  
 20 have got it clear enough as to what's anticipated here?  
 21 Would we be safe in making a motion that on the basis of  
 22 the presentation which Mr. Brady has made as to reference  
 23 back to this Commission we would approve, or do you feel  
 24 we need a supplemental letter or something similar on the  
 25 three points?

26 MR. SHAVELSON: I didn't understand Mr. Brady would

1 permit the City to come back to the Commission if it is  
2 their intent to exceed the four million, did you?

3 MR. BRADY: Yes. Might I say that if we are in a  
4 position where we saw the four million was going to be  
5 exceeded, we would have a full explanation sufficiently in  
6 advance of any contemplated advance over the four million  
7 and present that to the Commission and the staff, giving  
8 all the details and data as to the reasons why.

9 There's one other thing I think we should take into  
10 consideration -- the fact that the economic limitations of  
11 the term of the contract, I think, is going to automatically  
12 take care of the ultimate amount which will be expended on  
13 this project.

14 MR. PEIRCE: In the light of this discussion that has  
15 taken place, Mr. Hortig, do you desire to modify your recom-  
16 mendation? You mentioned that the points of difference were  
17 largely matters of semantics.

18 MR. HORTIG: Yes sir and, additionally, as distinct  
19 from the printed recommendation you have before you, in  
20 inverse order, the necessity for point 3 has, I believe,  
21 been eliminated by the filing by the City of a declaration  
22 of construction as to the phrase "ultimate maximum economic  
23 recovery". Point 2, Mr. Vickers has indicated can be covered  
24 by a letter statement by the City and I would feel that the  
25 point in the recommendation would be made by such filing  
26 by the City.

1           However, as to Point 1, may I suggest that it occurs  
2 to me from the additional discussion we have had, there  
3 doesn't seem to be any difference of opinion but that four  
4 million dollars is probably a reasonable initial limit on  
5 this project. As a matter of fact, Mr. Brady points out  
6 that by the economic limit on existing contracts it is  
7 doubtful this limit can be reached outside of any expressed  
8 limitation. I would like to raise the question whether the  
9 City of Long Beach would feel it would be undesirable of  
10 the Commission giving approval of this contract subject to  
11 the condition that the approval be limited to expenditures  
12 not to exceed four million dollars under the contract,  
13 unilateral limitation on the part of the Commission's  
14 approval.

15           MR. PUTNAM: Well, then, it boils down, Frank, to  
16 striking out on page 82, Recommendation #3.

17           MR. HORTIG: Yes.

18           MR. PEIRCE: And #2.

19           MR. HORTIG: And #2, being understood to be made by  
20 a filing by the City.

21           MR. KIRKWOOD: In other words, what you are saying is  
22 we would approve the contract subject to our retaining the  
23 right to review, in the manner suggested by Mr. Brady a  
24 minute ago, any expenditure over four million.

25           MR. HORTIG: Right.

26           MR. BRADY: I think that would be the most diplomatic

1 way of handling it. It would eliminate the complete re-  
2 writing of the amendment, which would mean going back to  
3 the Harbor Board and the City Council. If we could cover  
4 this by a letter on the principles we have discussed and  
5 it could be made part of the file, then we could go back  
6 and prepare the authorizing resolutions, because under our  
7 charter it's going to require a thirty-day waiting period  
8 after it has been executed by all parties.

9 MR. SHAVELSON: As I read the amendment, the City  
10 must authorize all expenditures made by Long Beach Oil  
11 Development Company, therefore a unilateral agreement by  
12 the City without the concurrence of Long Beach Oil or in  
13 concurrence with the amendment would be binding with the  
14 City without changing the amendment at all.

15 I was wondering - - are we talking about a consultation  
16 before spending over four million dollars or are we talking  
17 about getting further Commission approval?

18 MR. KIRKWOOD: Can you go back and read Mr. Brady's  
19 statement. (Reporter read back a portion of Mr. Brady's  
20 testimony) (Page 39 Lines 8 through 19)

21 MR. BRADY: I was going to say, when we get to that  
22 point of exceeding four million dollars, it is only going  
23 to be because the project, in my limited way of thinking,  
24 has become a successful one and should be expanded and I  
25 think that would be mutually to the City's interest and  
26 to the State's interest.

1 MR. PEIRCE: Well, it appears that we are in agreement,  
2 is that not true? What is your pleasure, gentlemen?

3 MR. KIRKWOOD: I make the motion subject to the  
4 understanding ...

5 MR. PUTNAM: It strikes me the matter is one of working  
6 out details with the City under the general authority  
7 granted here.

8 MR. SHAVELSON: These would be memorialized by written  
9 statements from the City.

10 MR. PUTNAM: In other words, if the City came in two  
11 years hence and said "This project is going to take five  
12 million dollars instead of four" we would ask for justifi-  
13 cation and they would supply it, I am sure, and we would  
14 submit it to you gentlemen. Is that about right?

15 MR. BRADY: Yes.

16 MR. PEIRCE: Mr. Kirkwood moves the recommendation as  
17 modified.

18 MR. POWERS: I second.

19 MR. PEIRCE: And Governor Powers seconds the motion.  
20 So will be the order. All right, Mr. Hortig.

21 MR. HORTIG: There are no further personal appearances,  
22 Mr. Peirce, on any scheduled items. Therefore, if the  
23 Commission please, we can start on page 1.

24 MR. PEIRCE: Will you proceed?

25 MR. SMITH: Sale of Vacant School Land. An offer has  
26 been received from Mr. John Farrell on 58.78 acres in

1 Siskiyou County. Subsequently, an application was filed  
2 by the Department of Fish and Game to purchase the lands  
3 and their desire to purchase is that the land is desirable  
4 hunting area and usable by the public and will provide  
5 access to the waters of Indian Tom Lake, which is under the  
6 jurisdiction of the Bureau of Reclamation.

7 MR. KIRKWOOD: I move the approval.

8 MR. POWERS: Yes.

9 MR. PEIRCE: The recommendation is approved.

10 MR. HORTIG: Page 2.

11 MR. SMITH: Page 2 - The recommendation: It is recom-  
12 mended that the land described in the calendar, containing  
13 322.80 acres, be sold to the highest bidders, Edward J.  
14 Libby and William E. Asimow, at the cash value of \$6,133.20,  
15 subject to all statutory reservations, including minerals.

16 MR. PEIRCE: No controversy involved?

17 MR. SMITH: No controversy.

18 MR. POWERS: That's O.K.

19 MR. PEIRCE: Item is approved.

20 MR. HORTIG: Page 6.

21 MR. SMITH: This is a sale of vacant school land,  
22 application by the Department of Fish and Game. It is  
23 recommended that the Commission authorize the sale of 40  
24 acres in Imperial County to the State Department of Fish  
25 and Game without advertising, for the sum of \$2,000 plus  
26 costs, or a total of \$2,069.80, subject to all statutory

1 reservations including minerals.

2 MR. POWERS: That's assessed at \$2 and sold at \$50?

3 MR. SMITH: They own all the surrounding land.

4 MR. PEIRCE: The recommendation is approved.

5 MR. HORTIG: Page 7.

6 MR. SMITH: Mr. Ralph R. Leavers has requested restora-  
7 tion to public sale of eighty acres in Siskiyou County.  
8 Based upon discussion with Mr. Leavers and information in  
9 the aforesaid request, he has been negotiating with the  
10 United States Forest Service for the purpose of working out  
11 a private exchange. The Forest Service is desirous of  
12 acquiring title to this land and suggested to Mr. Leavers  
13 that he purchase the land from the State and in turn offer  
14 it to the Forest Service on a private exchange agreement.

15 Past history is that in '47 an application for purchase  
16 was filed by Mr. C. E. Patty. The Commission at that time  
17 rejected the application and set the land aside for exchange  
18 with the Federal Government, on the basis of suggestions of  
19 Senator Collier that the land be retained in public owner-  
20 ship. It is part of the Marble Mountain Primitive Area in  
21 Siskiyou County under Federal ownership and it is his sugges-  
22 tion that it is desirable to retain Federal ownership. The  
23 land if restored to entry .....

24 MR. KIRKWOOD: I'll move it.

25 MR. PEIRCE: The recommendation is approved.

26 MR. HORTIG: Page 9.

1 MR. SMITH: It is recommended that the Commission  
2 determine that it is to the advantage of the State to  
3 select Federal land, 291.33 acres in Kern County, not  
4 suitable for cultivation, and authorize the sale pursuant  
5 to the rules and regulations of State Lands. It is a case  
6 where the sale is by public bidding...

7 MR. POWERS: That's O.K.

8 MR. PEIRCE: The recommendation is approved.

9 MR. HORTIG: Page 10.

10 MR. POWERS: This is a case where the State buys  
11 Federal land?

12 MR. SMITH: That is correct, sir. Under exchange  
13 procedure, an offer has been received from Delbert James  
14 Sargent on 220.125 acres in Imperial County. Originally  
15 the State filed an indemnity selection in his behalf to ac-  
16 quire the land. That was rejected because of the land being  
17 in withdrawal status and the State in turn filed an exchange  
18 application. Under that procedure normally it would be  
19 sold by competitive bidding. He has a lease with the Federal  
20 Government for the use of that land as a tropical fish  
21 hatchery. He is desirous of having a determination by the  
22 Commission as to whether, if the State is successful in  
23 acquiring the lands, they will be sold by competitive bidding.

24 Our recommendation is that in the event the State is  
25 successful in acquiring the land, that the Commission auth-  
26 orize the sale to the applicant at the appraised market

1 value without competitive bidding. He has improvements on  
2 the land to the extent of around \$20,000 under his lease  
3 with the Federal Government.

4 MR. KIRKWOOD: I believe Howard (?) checked this out  
5 with you this morning.

6 MR. SMITH: Yes.

7 MR. KIRKWOOD: Actually, there are no rules and regu-  
8 lations. In the third paragraph "sold by competitive bidding  
9 pursuant to the rules and regulations of the State Lands  
10 Commission..." As I understand it, it isn't something  
11 spelled out.

12 MR. PUTNAM: It is not spelled out in the rules. It  
13 is the policy to sell them under competitive bidding.

14 MR. KIRKWOOD: But we don't have to amend a rule or  
15 anything? I approve it.

16 MR. POWERS: M-m-mh.

17 MR. PEIRCE: The recommendation is approved.

18 MR. HORTIG: Page 11.

19 MR. SMITH: Sale of vacant Federal land. It is recom-  
20 mended that the Commission determine that it is to the  
21 advantage of the State to select the land in the following  
22 cases; not suitable for cultivation, and authorize the sale...

23 MR. KIRKWOOD: That's O. K.

24 MR. POWERS: O.K.

25 MR. PEIRCE: The recommendation is approved.

26 MR. HORTIG. Page 15. The Santa Clara Flood Control

1 and Water Conservation District have a problem in the Pajaro  
2 River relative to brush control and access to the right  
3 of way to the bed of the river, in that title records in  
4 the county indicate some unclaimed land in the bed of the  
5 river, which it is contended may belong to the State. It  
6 is not clear that it does belong to the State, however the  
7 Flood Control District cannot proceed with this project  
8 until it has clearance from all landowners and therefore  
9 it is recommended that the Commission authorize approval to  
10 indicate that they are granted such rights of access as the  
11 State may have.

12 MR. KIRKWOOD: Move it.

13 MR. POWERS: O.K.

14 MR. PEIRCE: The recommendation is approved.

15 MR. PUTNAM: Next one is the annual ....

16 MR. KIRKWOOD: This one ...

17 MR. PEIRCE: This opens it up. Recommendation is  
18 approved.

19 MR. HORTIG: Page 17. The Navy is desirous of con-  
20 structing an oceanographic tower in the Pacific Ocean near  
21 Mission Beach on a right of way easement to be granted by  
22 the State. It is recommended that the Executive Officer be  
23 authorized to issue for this purpose .....

24 MR. KIRKWOOD: Approved.

25 MR. POWERS: O. K.

26 MR. PEIRCE: The recommendation is approved.

1 MR. HORTIG: Page 18 -- Recommendation on page 26.

2 MR. KIRKWOOD: Move it.

3 MR. POWERS: Yes.

4 MR. PEIRCE: Recommendation is approved.

5 MR. HORTIG: Page 27. Pursuant to authorization by the  
6 Commission, lease offer was advertised for portion of  
7 San Francisco Bay for the purpose of removing oyster shells,  
8 which is being conducted currently under a lease which  
9 expires next year. One bid was received from the current  
10 lessee of the area. However, the bid as offered resulted  
11 in a much more favorable royalty to the State than that  
12 received under the terms of the existing lease which  
13 expires January 14, 1958.

14 It is recommended that the Commission authorize the  
15 execution of lease to Ideal Cement Company, as high bidder,  
16 as mineral extractor for twenty years, in accordance with  
17 their high bid, upon payment of advance of \$4,730 and filing  
18 of performance bond.

19 MR. KIRKWOOD: O.K.

20 MR. POWERS: Yes.

21 MR. PEIRCE: The recommendation is approved.

22 MRS. STAHL: 46, I think, is next.

23 MR. HORTIG: Page 46 - and then, gentlemen, if you will  
24 refer to the rear of your supplemental calendar, you have  
25 an unpagged calendar item "Supplemental", headed "1957  
26 Legislation - W. O. 21.5", at the very rear, about the last

1 three or four sheets, in other words following page 83.  
 2 This is a more workable summary for presentation to the  
 3 Commission of the highlights of the legislative program,  
 4 rather than involving all the bills under consideration,  
 5 as the Commission will note. The first seven bills listed,  
 6 Senate 309 to AB 4078 represent seven of the eight bills  
 7 on which the Commission indicated sponsorship when the  
 8 bills were presented. There were drafted at least in part  
 9 by the staff and seven have left the Governor and have been  
 10 approved.

11 Following are the three bills, the principal ones which  
 12 would affect the administrative cognizance of the Commission.  
 13 S. 2107 -- This is one transferring current power over small  
 14 craft harbors to the Department of Natural Resources.

15 MR. PUTNAM: As I understand it, Frank, in 2107 there  
 16 is a transfer of jurisdiction with no appropriation.

17 MR. HORTIG: There is no direct appropriation in 2107  
 18 but small craft harbor revolving fund is appropriated in  
 19 2107. The Finance Committee has separate legislation to  
 20 supply money for the harbor program.

21 AB 47, Miller, amends, as the Commission well knows,  
 22 the basic oil and gas leasing authority under Cunningham-  
 23 Shell; and AB 2423, Coolidge, establishes a new ten million  
 24 dollar small craft harbor loan fund, to be administered by  
 25 its specific terms by the State Lands Commission.

26 MR. PUTNAM: That situation is thoroughly confused

1 right now.

2 MR. KIRKWOOD: Mr. Chairman, I'd like to see us take  
3 action to recommend the approval of AB 47. On these other  
4 two items, I don't know that we need formal action. I  
5 don't think any of us are going to weep over losing the  
6 small craft harbors.

7 MR. PUTNAM: We haven't been able to get any people  
8 to work on the thing.

9 MR. KIRKWOOD: This third one, I suspect the Governor  
10 is going to have some opinion or advice as to what takes  
11 precedence over what. I would like to see us recommend that  
12 the Governor sign AB 47. I do not know to what extent we  
13 need to go into the details of the bill. As I understand,  
14 that is the feeling of the Board members.

15 MR. POWERS: I think we might as well. The bill they  
16 have selected is down there. I think it should be signed.

17 MR. PEIRCE: Mr. Kirkwood moves, Governor Powers seconds  
18 the motion that the State Lands Commission recommend to the  
19 Governor his approval of Assembly Bill 47. So will be the  
20 order.

21 MR. KIRKWOOD: The A. G. will have an analysis of  
22 that.

23 MR. SHAVELSON: Of A. B. ?

24 MR. KIRKWOOD: 47.

25 MR. SHAVELSON: Well, we didn't quite understand. You  
26 want .....

1 MR. KIRKWOOD: I am wondering whether it would be  
2 helpful to us as a Commission on any of the language there  
3 to have -- you gave a very tentative informal opinion that  
4 Allen Miller and I and some others had -- as to what was  
5 meant by an annual rental and whether a bid factor could be  
6 used under the language of AB 47. I would think it might be  
7 helpful to show that in both instances it would come under  
8 the .... How helpful it would be now, to establish legis-  
9 lative intent ... But I think anything that would help  
10 clarify the language and clarify our discussion would be  
11 helpful, to have in the Governor's office.

12 MR. POWERS: Same as the Counsel Bureau's recommenda-  
13 tion -- this analysis, same as the Counsel Bureau makes an  
14 analysis of every bill. These people are more familiar with  
15 this particular subject and make the same type of analysis.

16 MR. KIRKWOOD: I think here that there was some language  
17 that disturbed me, that I hoped we could clarify. As it  
18 worked, it was better to let the bill go through without  
19 clarification. We understood the language meant certain  
20 things and the A. G. gave me a letter indicating he agreed  
21 with that meaning. It seemed to me that would strengthen ....

22 MR. POWERS: These people have been working with it.

23 MR. KIRKWOOD: It is my understanding as a member of  
24 the Commission that <sup>with</sup> the adoption of 47 we will have those  
25 areas of discussion and I thought that would be helpful to  
26 us if that were transmitted to us.

1 MR. POWERS: Could we have an extra copy of that?

2 MR. SHAVELSON: How soon would I have to prepare this?

3 MR. POWERS: The Governor is leaving on the 20th, so  
4 it would have to be right away.

5 MR. PEIRCE: Couldn't you have it ready within, we  
6 will say, a week?

7 MR. POWERS: What's this, the 14th? He's leaving a  
8 week from today, isn't he? So it will have to be pretty  
9 soon or it would be useless.

10 MR. PUTNAM: Now, gentlemen, while we are talking about  
11 oil, where do we stand on the present Cunningham-Shell Act?  
12 You remember we suspended operations and if this bill is  
13 signed by the Governor it won't be effective until next  
14 September. I think certain procedures can be started,  
15 strictly under the present act, where they will dovetail  
16 right into the new act -- I mean, not conflict with it --  
17 and start to resuscitate our corpse -- really a matter of  
18 policy.

19 MR. KIRKWOOD: What is your reaction to that, Jay?  
20 Have you explored that at all? For instance, can we  
21 start with the hearings that may be required and so on, in  
22 advance of the effective date of the act, and still grant  
23 a lease that is under the new act?

24 MR. SHAVELSON: I haven't thought about it. I don't  
25 think that any formal proceedings that are specific, of the  
26 type specifically set out in the act --- I don't recall the

1 exact wording of the suspension, but that suspension  
2 remains in effect, does it not? Or does it?

3 MR. PUTNAM: That suspension has expired.

4 MR. SHAVELSON: It has expired?

5 MR. PUTNAM: Yes. What I had in mind, as a practical  
6 matter, gentlemen, was that we could probably start in  
7 with the necessary hearings. It takes time to get that  
8 arranged for, you know, and have them held in accordance  
9 with the terms of the present act. You are certainly not  
10 violating anything. The present act regarding developments  
11 remains unchanged. So long as the suspension is no longer  
12 in effect, I see no reason . . . .

13 MR. POWERS: You do the preliminary work at the present  
14 time and when the other act comes in, they become effective.

15 MR. KIRKWOOD: You are thinking primarily of that  
16 155,000 acres . . .

17 MR. PUTNAM: And those eight or nine parcels which  
18 we had ..

19 MR. HORTIG: That's the same that Mr. Kirkwood is  
20 referring to.

21 MR. PUTNAM: Their acreage limitation hasn't been  
22 changed, has it, except as to minimum?

23 MR. HORTIG: No.

24 MR. PUTNAM: And we didn't have any minimum, so I just  
25 want to discuss as a matter of policy whether or not we  
26 should go ahead now and get some of this thing going, so

1 that when the new act becomes effective, if the Governor  
2 signs it, we can be that much farther ahead. If the  
3 Governor doesn't sign the new act, we will be that much  
4 farther ahead.

5 MR. KIRKWOOD: I'd hesitate to take action today that  
6 would officially start anything, other than ask the staff  
7 to be prepared at the next meeting to make recommendations  
8 as to areas where they can start moving, but I don't think  
9 we are sufficiently advised today to formally start.

10 MR. HORTIG: Mr. Kirkwood, might I ask -- would it  
11 be advisable and of assistance if, concurrent with that  
12 review report at the next meeting, we also request an  
13 Attorney General's opinion for the legal precepts?

14 MR. KIRKWOOD: That was what I had in mind. I thought  
15 <sup>out</sup>with something of that nature we might get off on the  
16 wrong foot.

17 PAUL LOWER: Mr. Chairman. I am Paul Lower of the  
18 Superior Oil Company, as you know, and I think I can  
19 simplify the discussion and duties of the staff here and  
20 perhaps the Commission, by suggesting that they don't need  
21 to resuscitate insofar as the Superior Oil Company is con-  
22 cerned on those three parcels in Ventura County. We  
23 drilled a dry hole within 150 feet of the State lands,  
24 which so far as we are concerned just proved the whole  
25 16,000 acres.

26 MR. PUTNAM: It means we have to review the whole

1 situation. Any other items?

2 MR. HORTIG: If the Commission will refer to the next  
3 item, three pages up from the bottom, supplemental calendar  
4 item on proposed purchase...

5 MR. SMITH: It is recommended that the Executive Officer  
6 certify to the Governor that it is to the advantage of the  
7 State to exchange with the United States Government 160  
8 acres of school land for 160 acres of Federal land in  
9 San Diego County of equal acreage and value; that the  
10 Executive Officer be authorized to execute for the State  
11 Lands Commission a certificate as provided in Section 6444  
12 of the Code; and that the State, upon acquisition from the  
13 Federal Government, sell the said land to the applicant at  
14 the appraised cash value of \$1,200, without advertising,  
15 subject to all statutory reservations. She has alleged  
16 a possessory interest in this land for a number of years  
17 as a homestead and she is paying taxes on the land, has a  
18 small house or shack on the land, and is attempting to  
19 get title through this procedure. The appraised value is  
20 \$7.50 per acre, or \$1,200.

21 MR. KIRKWOOD: What was the reason for the certification  
22 to the Governor?

23 MR. SMITH: AS distinct from indemnity selection.

24 MR. PEIRCE: Any further questions.

25 MR. KIRKWOOD: I'll move.

26 MR. POWERS: Sure.

1 MR. PEIRCE: The recommendation is approved.

2 MR. HORTIG: The next to the last page in your sup-  
3 plement, unnumbered -- The Commission previously directed  
4 the staff review of possible basis for retention of a  
5 board of consultants to assist the Commission by recommen-  
6 dations on oil and gas leasing procedures to be effected.  
7 Retention of such a board has been determined to be  
8 operable and proper under the operating budget of the  
9 Commission. Review has been made of the firms in the  
10 consulting engineering, operating and geological phases  
11 of the oil and gas leasing and it is recommended that the  
12 Executive Officer be authorized to determine the availa-  
13 bility of consultants on oil and gas leasing, with particular  
14 emphasis on tide and submerged land operations and to report  
15 such consultants to the State Lands Commission to constitute  
16 a board of consultants.

17 MR. PEIRCE: Any discussion?

18 MR. KIRKWOOD: I think this is appropriate. I do think  
19 this is something -- when we talk in terms of availability,  
20 we mean an immediate availability and I don't think we  
21 want to start out on leases before they are available.

22 MR. PUTNAM: We will need them in September.

23 MR. KIRKWOOD: I think the sooner, the better. We may  
24 find ourselves trapped here. When can we start the ball  
25 rolling? I think we want to get the ball rolling. I  
26 would think this is a satisfactory way of approaching it.

1 MR. POWERS: Yes.

2 MR. PEIRCE: The recommendation is approved. Any  
3 further business?

4 MR. HORTIG: If you gentlemen will refer to page 83  
5 of the supplement, this is a routine annual requirement,  
6 coming into the new fiscal year, for Commission authoriza-  
7 tion to enter into a contract for reproduction services  
8 in the amount of \$5,000; the delegation of authority to  
9 the Executive Officer being limited to \$2,000, this  
10 requires Commission approval.

11 MR. PEIRCE: This is the same as a year ago.

12 MR. PUTNAM: No, it's heavier.

13 MR. KIRKWOOD: All right.

14 MR. PEIRCE: The recommendation is approved. Any  
15 further business? The meeting is adjourned.

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MEETING ADJOURNED AT 12:10 P.M.

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