TRANSCRIPT OF MEETING
OF
STATE LANDS COMMISSION
JULY 15, 1957 10:00 a.m.

************

PARTICIPANTS:

THE COMMISSION:
M essrs. Harold J. Powers, Chairman
Robert C. Kirkwood
T. H. Mugford

STATE LANDS DIVISION:
Messrs. F. J. Hortig
Kenneth C. Smith
Mrs. Julia Stahl

OFFICE OF THE ATTORNEY GENERAL:
Messrs. Leonard Friedman
Jay Shavelson

APPEARANCES:
Assemblyman Jack Schrade, San Diego

RE:
ITEM 17 RICHFIELD OIL CO. - Causeway at Ventura:
Mr. Kenneth Cook, Richfield Oil Company

ITEM 20 DIVISION OF FORESTRY Exchange of Lands
Mr. DeWitt Nelson, Director of
Department of Natural Resources

ITEMS 18, 19, 22 CITY OF LONG BEACH:
Mr. Harold Lingle, City Attorney

ITEM 25 PROCEDURE UNDER AB 47:
Mr. Paul K. Home, Standard Oil Co. of Calif.
Mr. William R. Gardner, Humble Oil & Refining

Reporter:
Louise H. Lillico
Division of Administrative Procedure
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DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
Mr. Peirce being absent, it was moved and seconded
that Governor Powers act as Chairman.

GOV. POWERS: All right. The meeting to be in order.
First, the minutes of the last meeting, Frank?

MR. KIRKWOOD: Move the minutes ....

GOV. POWERS: Seconded by Mr. Mugford.

MRS. STAHL: There was a correction.

GOV. POWERS: All right. The minutes are approved
as corrected. We will proceed with the calendar items.

MR. HORTIG: If the Commission please, we may take
some of these items out of order because of requests for
holding, because of possible late arrival of people who are
interested in them. The 7 a.m. plane this morning out of
Los Angeles left at 8:39 and Director Nelson, who is interested
in one of the items, has requested if at all possible that the
Commission not consider it until 11 o’clock, at which time
he can be here.

GOV. POWERS: Sure, that’s agreeable. What item do
you wish to take up?

MR. HORTIG: Page 1 would be in order.

GOV. POWERS: All right.

MR. HORTIG: The Douglas Oil Company of California,
who have one of the leases at Huntington Beach on which
there has been exploration and in this case actually two
wells drilled for development and on production, have
requested a deferment of further drilling and operating.
requirements in order to permit analyses of geological and mechanical information which they have and additional information which they believe will become available on adjoining properties; and, therefore, it is recommended the executive officer be authorized to grant Douglas Oil Company a deferment under the lease ....

MR. KIRKWOOD: I move.

GOV. POWERS: Mr. Kirkwood moved, seconded by Mr. Mugford, that the calendar item be granted. No objection? That will be the order. Now ...

MR. HORTIG: Page 2. The Commission may recall there are mineral extraction leases in Owens Lake for the extraction of various industrial chemicals. Columbia-Southern Chemical Corporation has requested that a new, additional mineral extraction lease be offered under competitive public bidding for limited areas, as are described in the tabulations attached under this calendar item. It is recommended that the Commission authorize the offer of the lease under competitive bidding ....

MR. KIRKWOOD: I move.

GOV. POWERS: Mr. Kirkwood moves, seconded by Mr. Mugford, that this recommendation of the Commission be granted.

MR. HORTIG: Page 4. The Commission has previously authorized, after competitive public bidding, the issuance of a mineral lease in Inyo County for extraction of gold,
under which the operators have had extreme difficulty getting equipment and, even more so, personnel. They have requested additional deferment of operating requirements for a period of two years, with the anticipation that development of the lease may be resumed. There would be no benefit to the State in cancelling the lease at this time. The annual rentals are being paid. There being no detriment in continuing the lease, in the opinion of the staff, it is recommended that the request be granted.

MR. KIRKWOOD: Move.

GOV. POWERS: Yes. Moved and seconded that the deferment be granted.

MR. HORTIG: Page 5.... a situation in which the mineral lease has been granted following work under a prospecting permit, but there has been extreme difficulty in developing commercial grades of uranium ore, although ....

MR. KIRKWOOD: Move.

GOV. POWERS: Moved and seconded that this authorization be granted.

MR. HORTIG: Page 6 - next calendar item.

MR. SMITH: Sale of vacant school land. I shall read the recommendation.

MR. KIRKWOOD: Those are routine?

MR. SMITH: These are routine.

MR. KIRKWOOD: I move the recommendation.

GOV. POWERS: It has been moved and seconded that these
be granted. No objection? So will be the order. That takes us up to 10.

MR. SMITH: Inclusive. That is routine acquisition of Federal land. The applicant has cancelled his application with the State and it is recommended that the Commission determine that it is to the advantage of the State to select the acreage, containing 160 acres in San Bernardino County, and that the Commission approve the sale in accordance with regulations governing this land.

MR. KIRKWOOD: Move.

GOV. POWERS: Moved and seconded that this be done. I would like to ask one question. In making this exchange of lands, you never get acre per acre.

MR. SMITH: That's what this is -- acre per acre; but on an outright exchange ....

GOV. POWERS: Mr. Mugford has a phone call and will be excused.

MR. SMITH: ... the exchange is made on the basis of equal value.

GOV. POWERS: Equal value but not equal acreage.

MR. SMITH: Not equal acreage. The selections are made on the basis of equal value.

MR. HORTIG: Page 11. It is requested that the Commission defer consideration at this time. There has been a question raised with respect to the legal procedure, with the Attorney General's office.
MR. SMITH: Sale of vacant Federal land. It is recommended that the Commission determine that it is to the advantage of the State to select the Federal land embraced in 481.76 acres in Stanislaus County; that the Commission find that said Federal land is not suitable for cultivation; that the Commission approve the sale of said land to the applicant for cash.

MR. KIRKWOOD: I move it.

GOV. POWERS: Moved -- and the recommendation will be granted.

MR. HORTIG: Page 13. To clarify the record, it is recommended that the Commission authorize a correction of the lease number reference in the minutes of May 13. This is actually the item which is flagged in the front page of the minutes.

GOV. POWERS: It has been moved that we grant this correction. No objection? Such will be the order.

MR. HORTIG: I am sorry. This is a second one, similar.

MR. KIRKWOOD: I move it.

GOV. POWERS: Correction is granted, then.

MR. HORTIG: Page 14. As the Commission knows, the Division of Lands has a service contract with the Division of Audits of the Department of Finance for execution of certain audit work in Long Beach in connection with Chapter 29 and on estimates furnished by the Division of Audits
just before the close of the fiscal year, the Director of Finance indicated informally that subject to Commission approval the staff were authorized to encumber the funds to provide for an increase for payments through the fiscal year of $1,500.00. This item is, in effect, to confirm the action which has been taken and had to be taken before June 30 to be effective.

MR. KIRKWOOD: I'd move the approval.

GOV. POWERS: It has been moved and seconded that the approval be granted.

MR. HORTIG: Page 15 is the explanation. Page 16 ...

On May 13, the Commission authorized the issuance of a lease at increased rental rates over the normal rates to take the place of a performance bond, which the lessee at the time felt he could not furnish. Since that time the lessee submitted the performance bond and has requested that the normal type of lease be issued rather than the special type. Recommending that the Commission modify the minutes ....

MR. KIRKWOOD: I move that.

GOV. POWERS: It is moved. So will be the order.

MR. HORTIG: Page 17. In connection with the lease which the Commission has heretofore authorized to Richfield Oil pursuant to competitive public bidding in Rincon Field, Ventura County, an application has been received for approval of a causeway to connect the mainland with the offshore
drilling island. The causeway has been designed by consulting structural engineers and the United States Corps of Engineers have issued a statement of nonobjection to the construction, insofar as navigation interests are concerned. Therefore, it is recommended that the Commission authorize the approval of the location and construction by Richfield Oil Company of an open pile causeway connecting the filled land drillsite on P.R.C. 1466.1 with the upland in Ventura County.

MR. KIRKWOOD: Is this strictly legal?

MR. SMITH: Yes sir.

MR. SHAVELSON: I haven't studied it, frankly. I don't see anything here ....

MR. KIRKWOOD: Well, they aren't allowed to use piers.

MR. HORTIG: This cannot be used for drilling, sir. All drilling will be on the island. This is just a means of getting from the upland to the island. We have an analogous instance, but shorter, in Monterey. This is in Ventura County and Ventura County had no objection to the original construction of the islands either.

MR. KIRKWOOD: What kind of a bond for the removal of the structure is there?

MR. HORTIG: None additional contemplated in view of the large bond already in for the island and for operations under the lease as such, which it is contemplated will also effectively cover this. The structure as proposed is going
to be relatively simple, comparatively simpler than any other structures on the lease.

MR. KIRKWOOD: Do you think there should be any question, Jay, on this?

MR. SHAVELSON: I don't think I'd like to say, just looking at it this quickly. When I read over it, I didn't think there was. There's certainly general authority in the Commission. We would be glad to study the question.

MR. KIRKWOOD: I hate to hold the thing up.

MR. HORTIG: May I suggest we do have an analogy, in part at least, as heretofore indicated. We do have auxiliary piering facilities adjoining the Monterey island, with all the Monterey drilling operations being conducted on the island. It is for easy access, storage and transport of materials. It does not reach the shore, but there is a pier there in conjunction with the drilling island.

MR. MUGFORD: Could the Commission take the action of approving it subject to the Attorney General's finding no difficulty?

MR. KIRKWOOD: Is anyone here from Richfield?

MR. HORTIG: Mr. Cook.

GOV. POWERS: Do you have any comment on this, Mr. Cook?

MR. COOK: We had a check by our legal staff and there was no question in their minds about the legality of it.

MR. KIRKWOOD: Is this something that's a rush job? Would it hold you up if we did ask for just an A. G.'s ....
MR. COOK: We have the island under construction at the present time and if this could be built simultaneously it would be a help.

GOV. POWERS: Shall we pass it with the approval of the Attorney General if he acts in a reasonable time?

MR. KIRKWOOD: Yes, let's put it on the basis of approval, unless within ten days the Attorney General asks that further time be given. That wouldn't hold you up any material amount of time.

GOV. POWERS: The Commission will vote for the recommendation of approval of Item 17, with the understanding of ten days' approval or disapproval by the Attorney General. No objection? That will be the order then. Then, next ... 

MR. HORTIG: Pages 18 through 23 I can summarize for the Commission. You have the record of legislative action before you. The principal interest, of course, is the fact that the Governor has signed A.B. 47, so that later discussions which we have in this calendar, which are predicated on A. B. 47 possibly becoming effective, can be discussed on the basis that it is effective.

GOV. POWERS: It is approved.

MR. HORTIG: The balance are routine. To the moment, we know of no veto of any of the bills that were forwarded to the Governor, bills which will affect the Lands Commission.

GOV. POWERS: That will come the day after tomorrow.

MR. HORTIG: Right.
MR. KIRKWOOD: Are we going to have to promulgate any regulations under this legislation?

MR. HORTIG: Yes, under A. B. 80.

MR. KIRKWOOD: Is that in process?

MR. HORTIG: It is in initial study because some of the modifications under A. B. 80 of the Public Resources Code related to geological and geophysical permits. The legislative intent was that, inasmuch as the language that such operations may be freely conducted has been stricken, it was contemplated that the Commission would remove the first five hundred feet without inspection from the rules and regulations. It is going to have to be reviewed by the Commission as to whether it should be done, in fact.

GOV. POWERS: What do you wish to do on this?

MR. HORTIG: This is merely an informative item for you gentlemen.

GOV. POWERS: No action to take on that?

MR. HORTIG: Right. Scurrying through, page 24 through 36 represent actions taken under executive authority heretofore, under authorization from the Commission. It is recommended that the Commission confirm these actions.

MR. KIRKWOOD: These have been reviewed. I would move the approval.

GOV. POWERS: Recommending the action of the executive officer, page 24 through 36. All right. That action then is confirmed. There is no objection.
MR. HORTIG: Page 37, gentlemen.

GOV. POWERS: Supplemental - Long Beach.

MR. HORTIG: Long Beach has submitted a request for approval of costs to be extended during this current fiscal year on the Town Lot Area Project. This has been reviewed by the staff. Some of the data have not been processed sufficiently to permit consideration of the project for the entire fiscal year and in its entirety; and, therefore, in lieu thereof, the prior program has been continued for approval for the month of July '57 and first half of August for such expenditures which will be undertaken in connection with this Town Lot Area Project, as given in detail in the tabulation on page 38.

With respect to this, then, in the standard procedure for recommendation here it is recommended that the Commission conditionally approve this project as a subsidence project and the costs to be expended in July 1957 for property purchase and areal fill and in August 1957 for force account, as shown on exhibit attached, with the standard reservations by the Commission that the amounts to be allowed ultimately will be determined on an engineering review and audit subsequent to the completion of the work -- which means that as to this area there will be a further study back to the Commission, it is hoped, in the August meeting. It is hoped this can be included in approval for the full fiscal year as the majority of the operations have been included.
MR. MUGFORD: These are only expenditures estimated to be made in July and August?

MR. HORTIG: That is correct.

MR. MUGFORD: What is the full amount?

MR. HORTIG: This is the problem. We do not know what the full amount is, so we couldn't report it at this time.

MR. KIRKWOOD: Fourteen million.

MR. HORTIG: It's a large one.

MR. MUGFORD: Just for this?

MR. HORTIG: Could be -- that is, the total cost.

MR. KIRKWOOD: Where is this area?

MR. HORTIG: It's the total town lot area immediately in back of the harbor, everything that has to be acquired and diked and filled in order to bring it up above sea level -- which the city is requiring, that it be brought up to sea level. When such a project is completed, the Harbor Department will be one of the substantial owners of real estate.

MR. KIRKWOOD: But in this they are requiring only this piece?

MR. HORTIG: This is necessary at the moment for filling ...

MR. POWERS: You gentlemen have anything to say?

MR. LINGLE: I believe ..... No, I believe, Mr. Hortig, they are the same type expenditures you have approved in the past and you have made a full explanation of them.

MR. KIRKWOOD: I move the recommendation.

CCV. POWERS: It has been moved and seconded that the
Commission approve the Town Lot Area.

MR. HORTIC: Page 39, gentlemen -- page 39 and 40, for which the tabulations on pages 41 to 44 give the detail, those now being of the type considered by the Commission at the last meeting, being full fiscal year projects for the remainder of the fiscal year to June 30, 1958, under the general projects (as the headings show on Exhibit A) of work on Pier A, roads and streets, Pier F, Pier G. Those are the projects. Now, these are recommended for the full fiscal year in the total amounts given on the tabulation, subject to the standard reservation that the amounts allowed ultimately for subsidence costs will be determined by the Commission by engineering review and final audit at the time any of these items is completed; that the work conforms essentially to the details submitted to the Commission; and the Executive Officer, Assistant Executive Officer, or the Mineral Resources Engineer be authorized to execute appropriate written instruments reflecting the Commission's conditional approval. Approximately nine projects of this type have been approved by the Commission at prior meetings, Mr. Mugford.

MR. KIRKWOOD: This is the same language.

GOV. POWERS: It has been moved by Mr. Kirkwood, seconded by Mr. Mugford that this approval be granted. All in favor? (Aye) So ordered. Now, Let's see, on many of these items that takes in one year?
MR. HORTIG: To June 30, 1958 on each one of these projects, Governor.

GOV. POWERS: All right.

MR. HORTIG: Page 57. GOV. POWERS: 57?

MR. HORTIG: Right. Page 57 reports on a portion of the Pier A project not included in the Pier A project as you gentlemen approved it on page 41, an item which was removed at that time for separate discussion. Here is a matter of Building replacement of a Harbor Department Administration, which is now down behind a levee ultimately. It definitely will have to be replaced. It is contemplated to be replaced by the Harbor Department at a new location and on a larger scale; and the staff have not yet -- of Lands Division -- have not yet been able to complete studies of the Harbor Department as to the ultimate location, desirable location, of this building. There are some desirable sites physically and in connection with the administration problems of the harbor, but they may be sites that involve more subsidence than other sites and, therefore, are going to have to be evaluated carefully in order to be sure that the project the Commission approves will have the minimum reasonable subsidence elements in it and therefore at a minimum reasonable cost to the State. Therefore, rather than approve for the full fiscal year, it is being recommended that the engineering force account and architect's fees as proposed to be expended in July '57 and August '57 for this project
be approved, during which time also there will be further study as to the actual site. The engineering force account fees are necessarily going to have to be expended to evaluate the present proposed site further, as to whether it is economical and, engineering-wise, the most feasible site. They are going to be in major part transferable, whether located at this site or another site.

GOV. POWERS: This is a conditional approval.

MR. KIRKWOOD: No problem?

MR. LINGLE: On this particular one, we are happy to accept the approval as it is made. However, as to some of the language, we do not believe that there was a problem as to whether our Harbor Department Board will determine the ultimate policy or whether we are subject to review as to the placement and the location of some of these operations. As the trustee, perhaps they should decide where the most feasible and economical way to operate that harbor would be, and as to the particular items when they are placed then perhaps the subsidence problem should be determined; but as to which or not a particular project or building should be subject to your ultimate consideration as to where it's going to be placed down there, we aren't prepared to advocate that and agree with you that you would have the power of veto as to where any project should be. In some aspects, a trustee is not permitted and doesn't have any necessary protection in abiding by the wishes of the
beneficiary. We believe it is our job and our responsibility to determine how that harbor is to be operated and where the various harbor facilities are to be placed.

MR. KIRKWOOD: Let's ask for Mr. Friedman's comment on that.

MR. FRIEDMAN: You have here a little bit of statutory variation on this ordinary trustee theory. Where the State is being asked to share the cost of the project in the form of subsidence costs, the Commission has statutory power to approve; and power of approval necessarily carries with it power of disapproval. I think it would be our position that as long as State money is going in here, the Lands Commission has veto powers upon the location of the project where the State money is being invested. If there is no State money, strictly a matter of Long Beach operations as trustee for harbor purposes, then we have a somewhat different question. So I see that we do not ... we have a little bit of conflict at that point if the matter comes to actual division of views.

MR. HORTIG: I may suggest in this particular instance we have a clear cut case where there is a subsidence element, where the State would participate; and it is simply on that basis we have been reviewing it. Assuming we have no control over one hundred percent of the building, unfortunately our subsidence goes along with the building, so as soon as we talk about the foundation of the building we are talking
of the entire project.

MR. KIRKWOOD: Your feeling is, Leonard, we need the language we do have in it?

MR. FRIEDMAN: Yes.

MR. KIRKWOOD: And if the day just comes that Long Beach disapproves of that language and makes an issue of it, presumably there will be conferences and an issue made.

MR. FRIEDMAN: Yes, such matters are usually settled over the conference table or go to court.

MR. MUGFORD: On the particular project, there is a possibility that there would be a meeting of minds as to location so this conflict wouldn't arise?

MR. LINGLE: As to the particular item, as Mr. Hortig I think has expressed it, the engineering has to be done anyway on this matter. If your approach was successful and ours was not successful, it still isn't wasted money so far as the State is concerned.

GOV. POWERS: In other words, we agree on this.

MR. KIRKWOOD: I move the approval of the recommendation.

GOV. POWERS: Mov' that the recommendation be granted. No objection? Approval is granted to the item. All right, then, what have we next?

MR. KIRKWOOD: 56, we skipped it.

GOV. POWERS: 56 -- Santa Barbara County.

MR. HORTIG: Application has been received from the Signal Oil and Gas Company to conduct geological explorations...
from mobile marine equipment during the period July 15, 1957 to January 15, 1958, on the area held by the applicant under Oil and Gas Lease P.R.C. 208.1, Santa Barbara County. Therefore, it is recommended that the Commission authorize the Executive Officer to issue to Signal Oil and Gas Company a geological survey permit for the requested period, subject to all the normal conditions for operation and furnishing of data as are required by the lease held by the lessee. This permit is needed simply because the lease in itself doesn't permit mobile marine equipment. Its original terms permit drilling only from upland or filled lands. This is analogous to permits the Commission has heretofore issued at Monterey, Huntington Beach ...

MR. KIRKWOOD: I move that.

GOV. POWERS: It has been moved that the recommendation be granted.

MR. HORTIG: 57 is already taken care of.

GOV. POWERS: 59?

MR. HORTIG: We may pass 59 for the moment. A gentleman who might want to represent the applicant is on that late plane. I had a phone call from him. Page 60.

The Construction Aggregates Corporation already hold from the State Lands Commission a mineral extraction lease to remove sand from Point Knox, Presidio and shore areas in San Francisco Bay. The same corporation is now applicant for Commission consideration for offering an additional area
of 239 acres in the Bay for removal of the sand. This type of project is recommended by the Corps of Engineers because if there is private removal of the sand, it isn't necessary that Federal funds be expended to maintain the navigation channels. It is recommended that the Commission authorize the Executive Officer to offer for lease pursuant to public bidding, for removal of sand ....

MR. KIRKWOOD: Do they bid on the basis of the amount per yard?

MR. HORTIG: Yes. The specified minimum is 3¢ -- 3¢ per cubic yard; and, as a matter of fact, the current lease is at 3¢ per cubic yard.

MR. KIRKWOOD: I move it.

GOV. POWERS: It has been moved that the authorization be granted and that shall be the order.

MR. HORTIG: At this moment I will pass page 61 to 65 -- skip from 61 to 65. On November 30, 1955, the Commission directed a request to the Attorney General to commence appropriate action to clarify the State's interest in an area of tide and submerged lands quitclaimed to the State by the City of Long Beach by deed of October 15, 1932, these lands having originally been granted to the city by the State. In accordance with this request, the Attorney General has prepared a Complaint for Declaratory Relief to acquire title to the said lands. On October 10, 1955, the staff had reported, in part, as to producing wells and threat
of drainage to adjacent areas. On that basis, such lands are to be offered for oil and gas lease. The number of wells has been increased to 22 and additional geological data has supported the conclusion that the submerged lands adjoining the existing offshore oil and gas lease should be offered for lease under the Public Resources Code. It is recommended that the Commission determine that it is desirous of offering for lease for extraction of oil, gas and other hydrocarbon substances the lands in question and the Attorney General be authorized to proceed to quitclaim to the State of California by the City of Long Beach, by deed of October 15, 1932, said lands having been originally granted to the City of Long Beach by the State of California.

MR. KIRKWOOD: We need this further action?

MR. HORTIG: It was suggested in view of the lapse of time.

MR. KIRKWOOD: How much lapse of time is there going to be?

MR. HORTIG: I have been told the action would be filed forthwith if the Commission authorizes it.

MR. KIRKWOOD: I move the recommendation.

GOV. POWERS: It has been moved that the recommendation be approved.

MR. KIRKWOOD: Is this one that can be moved along, Jay?

MR. SHAPELSON: Mr. Kirkwood, I don't see any reason why it shouldn't. The factual areas are limited. They are substantial but not of tremendous complexity and it is largely
a legal question of interpreting this deed. I don't see why it shouldn't go along fairly fast.

GOV. POWERS: The recommendation is granted then.

MR. HORTIG: Page 66. Lease was previously issued under executive authority, confirmed by the Commission, for maintenance of a dock facility in the Klamath River, adjacent to the City of Klamath. The dock was never constructed.

In the floods of last year, the lessee reports he lost everything. It is recommended that the lease be terminated at this meeting, in order that another anniversary rental date not roll around on August 4, 1957, creating another charge on the books.

MR. KIRKWOOD: I move the recommendation.

GOV. POWERS: I moved and seconded that the recommendation be approved.

MR. KIRKWOOD: Are the rest of the items subject to the people on the plane? MR. HORTIG: Yes.

MR. MUGFORD: Frank, Everett Horn mentioned one item that was supposed to be on this calendar with reference to Colorado River submerged lands. This Wild Life Board is interested. I think he had asked for the wrong action. What he really wanted was his lands to be withdrawn from sale. Did he get in touch with you?

MR. HORTIG: No sir, but the Commission took action the last meeting with respect to making these lands available.

MR. SMITH: I think this is another. They recently filed
a second application. There is no request that the item be withdrawn.

MR. MUGFORD: It is not in this calendar, then.

Someone got ..... 

GOV. POWERS: We have Mr. Jack Schrade, Assemblyman from San Diego. We are very glad to have you here with us. Is there anything ..... 

MR. SCHRADE: No, just a spectator.

MR. KIRKWOOD: Mr. Chairman, we have until eleven before we can discuss these other items. There are a couple of things that have come up in the interim that I think I should report on. One involves action by the Commission. The Chairman and I, I think it was on the 27th of June, sat down with Colonel Putnam -- we had been concerned and had discussed with him the problem of his health and his ability to conduct the very vigorous program of the Lands Commission at this time. At that discussion the Colonel indicated that he would present at this meeting his resignation, that he felt that reasons of health would prevent him from continuing as Executive Officer. Actually, since that time his health has not improved and this morning he is not able to be present and we don't actually have a formal resignation before us. However, I am sure that it was his desire to terminate his activity as Executive Officer of the Commission and I think that the only way to formalise that is to adopt a motion, which I would make, that we
terminate his authority as Executive Officer of this Commission.

GOV. POWERS: Mr. Kirkwood then moves that this termination be as of this date.

MR. MUGFORD: I second the motion. It's with the understanding, is it not, Mr. Kirkwood, that the Colonel intends to retire?

MR. KIRKWOOD: That's right.

MR. MUGFORD: He is eligible for retirement?

MR. KIRKWOOD: That's correct.

GOV. POWERS: You have heard the motion as stated by Mr. Kirkwood that we terminate the services of Colonel Putnam as of this date. All in favor?

MESSRS. KIRKWOOD AND MUGFORD: Aye.

GOV. POWERS: Unanimously adopted.

MR. KIRKWOOD: As a sequel to that, I think we need immediately, with the problems that are before us, to have an acting Executive Officer. Frank Hortig is the logical person to move into this spot and I would move that Frank Hortig be appointed as the acting Executive Officer and it's my understanding that that confers on him the full powers and responsibility of the Executive Officer.

GOV. POWERS: You want to include that in the motion?

MR. KIRKWOOD: Yes.

GOV. POWERS: Mr. Kirkwood moves that Mr. Hortig be appointed as acting Executive Officer, with full authority
of the Executive Officer. Is that correct?

MR. KIRKWOOD: Correct.

MR. MUGFORD: Second it.

GOV. POWERS: Seconded, unanimously adopted.

MR. KIRKWOOD: The other matter that I might mention, and maybe Jeff is more familiar with it than I, we have discussed the possibility of obtaining the services of consultants to this Commission; and the Colonel and Frank had made recommendations to us on a number of individuals who serve as consultants. The Commission members have discussed this back and forth individually and I think are in agreement that what we want to have is two men with geology and engineering experience and one from a law firm who has actively represented landlords in the presentation of oil leases. It is my understanding that just before he left Thursday Mr. Peirce did write to a number of these individuals, all of them people outside of California who have not had direct connection with the offshore problem here in California, but they are nevertheless fully experienced in this general type of operation and general field, asking as to their availability for immediate service, indicating generally the problems that we have and forwarding AB 47 and the Shell-Cunningham Act to them so they would have it before them, and asking for a response so that we could perhaps interview them in the very near future and get moving. I would just give that as a report on the current situation,
as I understand it, on this Board of Consultants. Is that correct?

MR. MUGFORD: Yes. I don't know how many he has written to, but quite a number of prospective consultants.

GOV. POWERS: Any comment from anyone present here regarding this? Well, we will just wait until eleven o'clock until these people arrive.

MR. KIRKWOOD: Want to take a recess?

GOV. POWERS: I assume we might as well be at ease until eleven o'clock.

(Short recess)

MR. HORTIG: Page 45.

GOV. POWERS: Somebody better notify Jeff. We told him eleven o'clock. (Mr. Mugford arrived). All right, we are all in order again and I guess we will refer to page . . .

MR. SMITH: 45.

GOV. POWERS: We have got Mr. Swede Nelson here. Do you wish to come up here?

MR. NELSON: Fine, thank you.

GOV. POWERS: We would be glad to have you join us right up here.

MR. HORTIG: If the Commission please, in summary . . . . the State Lands Commission undertook an exchange of lands for the ultimate benefit of the State Division of Forestry many years ago. There are attached summary tabulations of everything in the files of the State Lands Division. This
does not give a complete picture for the present staff to make what is felt to be the necessary and required recommendation under the act with respect to the lands. Therefore, the staff had recommended that the Commission direct a partial reconnaissance of land values involved in this affair, in order to determine whether a full review should be undertaken or whether the action should be processed as it is reported in the files to date.

On the contrary side, there certainly is the equitable and completely appropriate argument, which I feel the Director will present in greater detail, that as of the original negotiations with respect to this proposed exchange there is a firm commitment in effect between the Lands Commission and Forestry and, therefore, the exchange should proceed and the lands should be transferred to Division of Forestry as originally contemplated. These are the horns of the dilemma on which the staff would appreciate a ruling from the Commission and elect the one that we are going to ride out.

GOV. POWERS: Your recommendation on this is on page 46? It's ...

MR. HORTIG: It is on page 47, carried over on to 47, which boils down to an authorization for a partial review of the values to determine whether a full review is necessary. In other words, this would be a selective reconnaissance review of the values, in that we have a problem of maintaining...
maximum values because these were lands given to the State for school trust purposes and certification must be made as to the value of this land; and if there are no large scale divergences at that point, then the original trans-
action could proceed. On the other hand, our information from the Director of Natural Resources seriously questions whether Forestry would want to proceed if it is necessary to transfer these lands at an enhanced value at this late date, if the lands cannot be transferred on what is a com-
mitment years ago. Mr. Nelson, do you want to comment on that?

MR. NELSON: Yes. Mr. Chairman and members of the Commission, Mr. Hortig has commented that this is a commit-
ment with Forestry entered into some years ago. It dates back ten years, which is a long time getting a matter con-
summated; but it indicates to me what difficulty we would be up against if we started all over again. We could be another ten years.

In 1947 we discussed this and in 1948 an agreement was entered into; and that same year, recognizing the desire of people to acquire lands and property, the Board of Forestry requested that these lands be kept open for a year for sale and that was done. In fact, instead of being kept open for a year, they were kept open for two years and the lands in question did not move during that time. After that, we did go back and reappraise the lands in question, both the
school lands and the Forest Service exchange lands. Now, maybe I should give a little background on this exchange. The object of this exchange was to consolidate State holdings and to clean up a lot of scattered parcels of State lands scattered all over some twenty counties, parcels ranging from very small to fairly good sized units, and the Commission here is actually making an exchange with the Forest Service for Forest Service lands in and around our Mountain Home State Forest, so that those lands then could be placed under management rather than being scattered all over the State, with little or no administrative management as I understand it, and we then would have a Forest unit there at the Mountain Home State Forest that would be a much more economical size operation.

In 1950 we reappraised both the State and Federal lands that are involved and those were accepted -- the appraisals were accepted -- and after many, many negotiations between the Lands Commission, Division of Forestry, and the Forest Service, we finally got the exchange off the ground. It took some time to get the proposal approved by the various county boards of supervisors, that is of the counties in which the school lands were located, and there were three dissenting counties -- Siskiyou, Trinity and Tehama -- so we had to reorient ourselves again and exclude those and we picked up some more parcels down in the Cleveland National Forest and added those to the program and had to adjust
boundaries all the way through. Then, after the Forest Service had finally gotten its clearance through channels, then the whole thing had to go to the Bureau of Land Management, Department of the Interior, for clearing through there, and that was finally accomplished in May of 1956, last year. Then, even after that, there were some problems that came up on some unsurveyed parcels and mineral claims -- I guess those were in the Mountain Home area. It looked like we were ready to consummate the exchange at that time but in January of this year we were informed that the staff of the Lands Commission had some question as to the values of the exchange.

Now, I think we have got to recognize, all we are doing is trading values here and we are all familiar with the ascending values, no matter where they are situated in California or whose land they are. So I think any change in values is going to be relative on both the exchange and the accepted lands and under our computations we figure that there is a $38,000 margin of safety; that is, the lands being secured are appraised at $38,000 more than the lands that are being given, and we believe that if we had to go back through this whole process again, when you came to the final roundup you would be right where you are today because we are not dealing with a static situation.

GOV. POWERS: In other words, your contention is that as values have gone up on one parcel of land, they have gone
up on the other.

MR. NELSON: That is right. We know that the values of
the timber involved on the lands that are being acquired in
the Mountain Home area -- we can get as good a price for the
stuff as at the time of the appraisal; and undoubtedly the
same could be accomplished on the same scattered school lands
and all of the scattered school lands are not timber by any
means.

MR. MUGFORD: What is the basis for this statement that
you have got a $36,000 margin?

MR. NELSON: The acreage involved, there are 16,652
acres of State lands for 3,699 acres of Forest Service land.
The volume of timber is 61,000,000 on State and 39,000,000
on Forest Service. The appraised value is $295,745 for the
State lands at various values, and the value appraised for
the Forest Service lands is $334,401.

MR. MUGFORD: Appraisal figures?

MR. NELSON: Appraisal figures.

MR. MUGFORD: Ten years ago.

MR. NELSON: 1950.

MR. MUGFORD: You concur?

MR. HORTIG: As to that, of course, this is part of our
problem, that we do not have in our files the clear cut
expression that could be given to the Commission now, that
the Commission was given on the lands at the time these
appraisals were made. We have had such a lapse since, because of
title conflicts, etc. which Director Nelson has outlined.

Conversely, if we do not have Commission confirmation at this time and effectively start over, then logically we would have to assess parcels at current prices today and, as the Director has indicated, it could result in another ten years' operation. We would never get off this merry-go-round.

MR. HUGFORD: Wouldn't it be reasonable to assume that both the Federal and State lands would enhance in value at about the same rate?

MR. HORTIG: For comparable land, obviously they would. Mr. Mugford. Whether there is complete comparability, I don't know if that is in this. That would be one of the items to determine on appraisal. Appraising is not an exact science, as you gentlemen know, and we could get into difficulties on analysis as to whether this project has doubled as other State interests other than the ones with the State Lands Division has in these lands; and the Division of Forestry wouldn't be interested in the acquisition.

GOV. POWERS: The only fact that would make a differential in the exchange now would be a factor of timber going up proportionately greater than land values. That would be the only thing.

MR. NELSON: That would be the primary thing.

MR. HORTIG: We have another problem. The State school fund would be affected.
MR. KIRKWOOD: What is the problem here? I have difficulty figuring out just what we are talking about. I didn't have a chance to read this whole item this morning. Are we talking in terms of the amount Forestry would have to pay us for these lands?

MR. HORTIG: Yes.

MR. KIRKWOOD: The amount of lands that Forestry would acquire would remain the same?

MR. HORTIG: Right.

MR. KIRKWOOD: We are also talking about our having to give up less lands in order to get these lands that Forestry wants?

MR. HORTIG: There were some small areas of concern whether on the appraisal, relative assessment of values, as Mr. Mugford indicated, whether both classes of land were completely comparable so there were comparable increases in both types, or whether one had increased faster than the other because of difference in classification. Our problem is we have a commitment as of the time of this original commitment; or are we at the initial negotiation stages on this operation, under which circumstances the Director of Natural Resources has indicated by letter that Forestry is no longer interested.

GOV. POWERS: Your recommendation is, Mr. Hortig, that this time be extended to June 30, '59?

MR. HORTIG: To permit this partial....
GOV. POWERS: You want to make a partial review?

MR. HORTIG: This is a staff recommendation I inherited. However, I am leaning toward the direction as of this time, as Mr. Nelson has suggested, that we have Commission confirmation that the deal between the Land Commission and the Wild Life Board was consummated at the time of the original proposal.

MR. KIRKWOOD: Mr. Nelson, I don't think you are aware of the fact that Colonel Putnam is retiring and Frank has been named as acting Executive Officer of the Commission . . . .

MR. NELSON: Congratulations.

MR. KIRKWOOD ... and I do not know whether or not you would want Frank to review this recommendation and present it to us again at the next meeting, rather than ask us to . . . .

MR. HORTIG: May I suggest that procedure?

MR. NELSON: I think that might be well.

GOV. POWERS: Under the circumstances, I think that would be very good.

MR. NELSON: I think we must consider this, too, that possibly we two aren't the only ones involved in this. If it is going to be dragged out, I am not sure the Forest Service will want to carry on.

MR. HUGFORD: One meeting . . . .

MR. HORTIG: Better delay it one meeting and get our feet under us.

GOV. POWERS: Under the circumstances, I think it is
probably better that you go through this, Mr. Hortig, and report back next meeting. No use delaying it longer than that.

MR. NELSON: That will be fine. O. K. Thank you.

GOV. POWERS: Now, we have some gentlemen who have just arrived here. Which item now?

MR. HORTIG: Apparently we drew a blank on attendance on one item, so we can take it now.

GOV. POWERS: What item was that?

MR. HORTIG: Page 59, gentlemen.

GOV. POWERS: Page 59.

MR. HORTIG: An application has been received from the Palos Verdes Corporation and Capital Company, owners of the adjoining upland, to construct a sea wall on tide and submerged lands in the Pacific Ocean in Portuguese Bend, extending 2,000 feet westerly from the west line of Crenshaw Boulevard, the land between the sea wall and the upland to be filled to the height of the sea wall. The purpose of the barrier is to assist them in preventing landslides in the upland areas which rise steeply from the shore. Statutory deposit fees required by regulations have been paid. Under the Public Resources Code there is provision for the construction proposed, no rental required, the fees to be no more than required for examination of plans and performance of duties as may be necessary. It is recommended that the Commission authorize the granting of permit to the Palos
Verdes Corporation and the Capital Company, under the Public Resources Code, for the construction of a sea wall and backfill of 23 acres in Portuguese Bend, the final construction location to be approved by the staff; the purpose of the project, to assist in protecting the upland property from landslides. As you gentlemen may be aware from press reports, the entire Portuguese Bend area has taken a notion to attempt to slide into the ocean and this project, in conjunction with projects being considered by the Board of Supervisors of Los Angeles County, may assist in alleviating the problem.

MR. KIRKWOOD: This only permits the private land owners to take this action. We are not involved?

MR. HORTIG: Yes.

MR. KIRKWOOD: Certainly is a problem.

MR. HORTIG: This is written as cautiously as it is in order to point out that there is no warranty that this will be successful; but it is recommended that the Commission cooperate with the upland owner, so that he can take all steps in his defense that he can possibly take.

MR. MUGFORD: Certainly.

GOV. POWERS: It will be moved, then, that the recommendation be granted? No objection?

MR. HORTIG: Page 61. At the last meeting, the Commission suggested an informal opinion of the office of the Attorney General be requested as to the legal precepts involved.
in the initiation of any administrative procedures on oil
and gas leases prior to the effective date of A.B. 47.

An informal opinion has been received on the following
question:

"Could the Commission proceed at this time with all
procedures precedent to an oil and gas lease offer
under the Public Resources Code in anticipation of
publication of such offer after September 11, 1957,
or are there limitations as to procedures which may
not be initiated prior to September 11, 1957, to be
effective?"

Copy of the opinion is attached. The opinion, in summary,
states that prior to September 11, the Commission may issue
permits for geological surveys, may conduct hearings as
provided by the Public Resources Code, may issue notices
as provided by that section prior to such hearings; but the
Commission is advised not to make any decisions prior to
September 11, 1957 and not to proceed with any lease offers
except pursuant to new hearings under the Public Resources
Code. This is in such areas as previously considered by
the Commission, that were previously held under the Code
section that will be modified by A.B. 47. It is recommended
that the Commission authorize the staff to proceed with the
consideration of oil and gas lease offers under the Public
Resources Code in conformance with the limitations outlined
in the opinion of the Attorney General dated July 10, 1957.

By way of further explanation, I wish to state to the
Commission that it is contemplated that this directive, if
given by the Commission, would be restricted to staff
operations, review, preparation of recommendations for action by the Commission with respect to oil and gas lease offers to be considered formally by the Commission on or after September 11. It is not contemplated that there would be any presentations to the Commission for formal action prior to that time, in order to preclude any difficulties or legal contentions that any improper actions or unauthorized actions had been taken by formal Commission action having been taken prior to the effective date of A. B. 47.

GOV. POWERS: Do you have any discussion on this, Bob?

MR. KIRKWOOD: Well, I'd like to know if the industry has any comment.

MR. HOME: Mr. Chairman, my name is Paul Home, with Standard of California, and we have some concern, of course, over the order in which these proceedings are undertaken. I might say that I have discussed the matter with our General Counsel. In general, I feel that we are pretty much of the same opinion as the Attorney General's office. However, there are certain points there which I feel merit further consideration and perhaps the greatest of caution. The State issues these leases without warranty of title. It's just good business sense to give us the best possible title when the leases are put up for bid. Our counsel have advised that they would say positively that it would be illegal to proceed at this time with such things as a public hearing similar to those formerly held in Santa Barbara.
To do so, it would be hazardous. The question is not free from doubt. We are faced with a situation, I think we all want to get the show on the road rapidly as possible. On the other hand, let's do it in such a fashion that when we go we are not faced with delays or suspension of lease offers after they have been offered or after the wheels have started turning. I feel if we could delay these things such as public hearings, official action of any kind, even though it be by staff in that sense, until after September 11, then there could be no question. We could go with assurance at that time that whatever title came out of the matter at that time would be a fair title. That's not to say that we are not in accord with going ahead. I feel the entire industry is in favor of going ahead, doing the things we can now, such as preparation of lease forms; preparation of forms ultimately issued for call on leases; the arc which is to be offered, assuming that the public hearings and so forth don't change that; preparation of the revised regulations. There are a variety of things which have to go ahead and which can go ahead at this time, but I do urge that we do not go so far as to hold public hearings, take official action of any kind which could subsequently perhaps delay us still further.

MR. KIRKWOOD: Mr. Chairman, could I ask one question?

GOV. POWERS: Yes.

MR. KIRKWOOD: I would be in agreement -- I don't think
we want to run any risks on this. I would like to ask you this... I would feel much happier on these lease procedures if we could get our consultant group together and let them take a look and bolster the opinions of the staff before we take final action on offering any particular parcel for lease... Do you have any doubt, under the amendments, that we could hold the hearings -- in other words, we were talking previously of 55,000 acres there off Santa Barbara County if we wanted to start out with a notice of hearing covering the whole 55,000 acres, that thirty days after this hearing we would be able to cut that back to certain parcels within that 55,000 acres? Does your counsel feel that we have to start with a notice describing a particular parcel as the land and only that land?

MR. HOME: I can only answer, Mr. Kirkwood, the law has not changed that aspect of the hearings. It has changed with respect to the size of parcels and the removal of the minimum size.

MR. KIRKWOOD: There was some question, as I recall, and I thought it was cleared up by the amendments, as to whether those hearings we could hold be for any other than protection of residential property, recreation use.....

MR. SHAVELSON: I believe that is cleared. In other words, the prior language said that the Commission shall within thirty days determine to lease unless it find a detriment to the shoreline development. It now says that
in not less than thirty days the Commission shall determine whether or not to lease, and in making that determination shall consider the effect on the shoreline, among other matters. I think that does make it clear that the Commission by holding a hearing doesn't exhaust its discretion. It would seem that if the hearings were held as to a larger area, the lease could be issued as to a smaller area. As a matter of fact, that's specifically taken care of.

MR. KIRKWOOD: That was my recollection, that that part had been cleared.

MR. SHAVELSON: But I do think -- I do not know whether I followed you exactly -- but I do feel that there must be a definite specification of a proposed area in the notice. I mean it has to be very definitely stated what the area is to be. That isn't to say they couldn't decide upon a lesser area.

MR. KIRKWOOD: The first time around we put out the whole 55,000 on the notice. Then when we asked for, invited bids, we cut out every other 55 acres. Now, here we might want to put it out differently. I don't know what the recommendations are going to be this time but that sort of start, I know, would be permitted without jeopardizing the whole setup. That was one thing I wanted to be clear on. If we could mold within an offer after we started....

MR. HOMES: I can only say, Mr. Kirkwood, my counsel were of the opinion that the procedure you followed before
was not subject to criticism.

MR. KIRKWOOD: I believe there was some difference of opinion.

MR. HOMES: At the present I am sure they would feel the same way.

GOV. POWERS: Is there any further comment from any gentleman here?

MR. GARDNER: My name is William R. Gardner, Humble Oil and Refining. I would like to ask one question on this matter of timing, Mr. Hortig. If we did wait until after September 11 before we took any action at all, how much time would we actually lose, Frank? What are we talking about in time?

MR. HORTIG: As a maximum, the difference between today's date and September 11th.

MR. GARDNER: About 55 days.

MR. HORTIG: That's the maximum. This isn't the practical situation because patently no one is ready as of today or would be ready to present a recommendation to the Commission for giving notice to a county. Assuming we were to proceed and do that for the August meeting, then the difference in time would be the difference between the August meeting and September 11, or roughly thirty days. That's the maximum amount of time we are discussing.

MR. GARDNER: Do you contemplate having the Commission actually take some action at the August meeting to send
notice to the cities and counties?

MR. HORTIG: Under the basis of our current recommendation, no. In other words, the first time the Commission would be faced with a conclusion on whether or not to issue notices and on what specific areas, it would be contemplated as a matter of staff recommendation at the September meeting and would be after September 11.

GOV. POWERS: Anything further?

MR. KIRKWOOD: You don't want any formal action on this today, Frank?

MR. HORTIG: We really don't require it.

GOV. POWERS: Well I guess there is nothing further. Is there anything further, Mr. Hortig?

MR. HORTIG: No sir. I note the representative for the Palos Verdes Corporation just arrived real late, and can inform him his item has been granted and the authorization has been approved.

VOICE: Thank you. I had a little tough luck on the United Air Lines this morning.

GOV. POWERS: If there is nothing further to come before the Commission, we will be adjourned.

MEETING ADJOURNED 11:30 A.M.
CERTIFICATE OF REPORTER

I, LOUISE LILlico, reporter for the Division of Administrative Procedure, hereby certify that the foregoing is a full, true and correct transcript of the shorthand notes taken by me at the meeting of the STATE LANDS COMMISSION on Monday, July 15, 1957 at Sacramento, California.

Dated July 16, 1957.