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TRANSCRIPT OF
MEETING
STATE LANDS COMMISSION

NOVEMBER 12, 1957 - 10:00 A.M.

PARTICIPANTS:

THE COMMISSION:

Mr. John M. Peirce, Chairman
Mr. Robert C. Kirkwood

STATE LANDS DIVISION

Mr. F. J. Hortig, Executive Officer
Mr. Kenneth C. Smith, Supervising Land Title Examiner
Mrs. Julia T. Stahl, Secretary

ATTORNEY GENERAL'S OFFICE

Mr. Howard Golden, Deputy Attorney General

and
in the order of their appearance:

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Mr. K. M. Cook Richfield Oil Company	3
Mr. George H. Ketchum General Petroleum Company	6
Mr. R. R. Templeton Reserve Oil and Gas Company	7
Mr. J. Barton Hutchins Edward Pauley & Associates	15
Mr. Philip J. Brady Deputy Attorney of City of Long Beach	23
Mrs. Ruth E. Thurber	41

Reporter:
Louise H. Lillico
Division of Administrative Procedure

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1 MR. PEIRCE: The meeting will come to order. The
 2 Lieutenant Governor has been unexpectedly called from the
 3 city and will not be present this morning, so Mr. Kirkwood
 4 and I will constitute the necessary quorum to conduct busi-
 5 ness of the State Lands Commission.

6 The first order of business is the approval of the
 7 minutes of the meeting which took place in Los Angeles on
 8 October 8, 1957. Copies have been sent to members of the
 9 Commission. Do they meet with your approval, Mr. Kirkwood?

10 MR. KIRKWOOD: Yes. There are no corrections?

11 MR. HORTIG: No corrections.

12 MR. PEIRCE: All right. The minutes will stand
 13 approved as written. Now, Mr. Hortig, if you will take
 14 over on the agenda?

15 MR. HORTIG: If the Commission please, it might be
 16 desirable to consider the agenda items in the order which
 17 coincides with personal representations present rather than
 18 in the order in which they are found serially accounted for.

19 MR. PEIRCE: Very good. If you will proceed on that
 20 basis, Mr. Hortig ...

21 MR. HORTIG: Page 1, gentlemen. MR. PEIRCE: Page 1.

22 MR. HORTIG: Request for deferment of drilling and
 23 operating requirements. Signal Oil and Gas Company, Honolulu
 24 Oil Corporation and Richfield Oil Corporation, Coal Oil
 25 Point, Santa Barbara County, joint lessees on State Oil and
 26 Gas Leases P.R.C. 308.1 and P.R.C. 309.1, have requested a

1 further deferment on drilling and operating requirements
2 under the subject leases to December 31, 1958, having been
3 previously granted deferment by the Commission to January 1,
4 1958. During September 1957, additional exploration was
5 completed on the leases, using mobile drilling equipment.
6 Information obtained from this exploration will have to be
7 studied and correlated with other geological and geophysical
8 data heretofore obtained, to serve as a basis for future
9 drilling plans. Total of approximately \$600,000 has been
10 reported expended on this aforesaid exploration alone. It
11 is recommended that the Commission authorize the granting
12 to the joint lessees, Signal Oil and Gas, Honolulu Oil
13 Corporation and Richfield Oil, lessees under State Oil and
14 Gas Leases P.R.C. 308.1 and P.R.C. 309.1, of a deferment of
15 the drilling and operating requirements under the subject
16 leases to December 31, 1958. This grant of deferment is to
17 be subject to the express condition that during the period
18 of deferment the lessees will perform one of the following
19 actions:

- 20 (1) Initiate development on the lease;
- 21 (2) Quitclaim the entire lease area; or
- 22 (3) Present adequate bases not considered heretofore
23 for consideration of any further extension of the drilling
24 and operating requirements under the respective leases.

25 Representatives of both Richfield Oil Corporation
26 and Signal Oil and Gas Company are here today.

1 MR. PEIRCE: Any opposition to this recommendation?
2 Is it acceptable to the companies? Mr. Ottoson, O. K. with
3 you?

4 MR. OTTOSON: Fine.

5 MR. PEIRCE: Mr. Cook? MR. COOK: Yes.

6 MR. PEIRCE: O.K. The recommendation is approved.

7 MR. HORTIG: Page 2. Amendment of Oil and Gas Lease
8 P.R.C. 427.1, General Petroleum Corporation, Rincon Field,
9 Ventura County. The General Petroleum Corporation is
10 lessee under Lease P.R.C. 427.1 in Rincon Field under a
11 lease originally issued for a term of twenty years in 1930
12 and subsequently renewed by this Commission pursuant to the
13 Public Resources Code, which provides for a renewal from
14 1950 for a period of ten years and thereafter to be extended
15 for such periods of time as and if the Legislature provides.
16 By amendment to the Public Resources Code effective Septem-
17 ber 11, 1957, it is now provided that any existing lease
18 may be amended to take advantage of the revisions in Section
19 6873 of the Public Resources Code, which, in effect, would
20 permit a lessee to further extend existing piers or to drill
21 from mobile marine drilling equipment, and so forth, which
22 were not previously authorized under the lease as issued
23 but which are now authorized under the Cunningham-Shell
24 Tidelands Act in new leases to be issued.

25 Pursuant to this provision and the opinion of the
26 office of the Attorney General that this lease may be amended

1 to incorporate these revised provisions of the act, General
 2 Petroleum Corporation has submitted an application for re-
 3 vision of the lease in order to permit expansion of existing
 4 pier facilities, which are currently overcrowded and which
 5 must be expanded if the lease is to be developed with the
 6 maximum efficiency. Therefore, it is recommended that
 7 the Commission approve the modification of the terms of
 8 Oil and Gas Lease P.R.C. 427.1, as requested by General
 9 Petroleum Corporation, in accordance with provisions of
 10 Chapter 104 of the Statutes of 1957, to permit all types of
 11 action authorized under Section 6873 of the Public Resources
 12 Code, all other terms, conditions and performance require-
 13 ments under the subject lease to remain unchanged.

14 MR. PEIRCE: Is there any opposition to this measure?

15 MR. HORTIG: Mr. Ketchum is here.

16 MR. KIRKWOOD: Would this give to this company any
 17 different rights than we have been granting under the new
 18 leases?

MR. HORTIG: No sir.

19 MR. KIRKWOOD: ... because this is an area -- because
 20 there is development already, we have been referring to a
 21 mile off shore.

22 MR. HORTIG: On some leases, yes. Actually, of course,
 23 the existing General Petroleum field and others in the Rincon
 24 Field already start from a mile off shore and extend a half
 25 mile on shore, as they have for many years. The proposed
 26 expansion is located on the seaward end of the pier.

1 MR. KIRKWOOD: This is normally the sort of thing
 2 that before we would grant under the existing law or make
 3 a part of a lease, wouldn't we have to hold a public hear-
 4 ing and give the on-shore people a chance to be heard, or
 5 at least notify them?

6 MR. HORTIG: That is correct, sir. I might cite that
 7 this pier is the structure physically closest to the island
 8 being constructed by Richfield Oil Corporation under their
 9 latest lease, the construction of which island two years
 10 ago was reviewed with the County of Ventura, the Planning
 11 Commission, and the Board of Supervisors. They had no
 12 objection as to its placement and the island is as close
 13 to shore as the seaward end of this existing pier as it is
 14 proposed to be expanded. The County of Ventura have been
 15 generally cooperative with respect to reasonable oil and
 16 gas developments. There is the further control that even
 17 with the lease amended as proposed, wells may only be
 18 drilled from a location to an objective and on a course
 19 approved by the Division in each instance, and at any time,
 20 therefore, the Commission has the control still to determine
 21 the location of any new structure from shore under the pro-
 22 visions of the lease. In the event that local opinion or
 23 other physical factors dictate that there should be such
 24 control, the Commission would still have this full control
 25 of those features where there has been a specific offset
 26 specified at the time of issuance.

1 MR. PEIRCE: The County has no objection to this?

2 MR. HORTIG: No sir.

3 MR. PEIRCE: Mr. Ketchum, does your company have any
4 objections to the recommendations submitted?

5 MR. KETCHUM: No sir, we do not.

6 MR. KIRKWOOD: There is no other objector to this?

7 MR. HORTIG: Not to our knowledge, no sir.

8 MR. KIRKWOOD: Is this a policy decision of first
9 impression or is this consistent with things the Commission
10 has done?

11 MR. HORTIG: This would be precedent. This is the
12 first application being considered for amendment of this
13 type pursuant to this authorization which became effective
14 September 11th as to any lease.

15 MR. KIRKWOOD: Yes, but to this specific amendment --
16 has the Commission in prior years given similar changes
17 where there have been other amendments to the law?

18 MR. HORTIG: I don't believe that we have had any
19 prior authorizations that were really analogous, Mr. Kirkwood.

20 MR. KIRKWOOD: How big an area does this cover?

21 MR. HORTIG: The lease contains 148 acres.

22 MR. KIRKWOOD: How far out?

23 MR. HORTIG: Roughly, three-eighths of a mile.

24 MR. KIRKWOOD: It is pretty well built up along the
25 shore?

26 MR. HORTIG: This is between the highway and the beach

1 at Rincon, where you see the multiplicity of piers, as well
2 as the highway on the upland side as you drive through.

3 MR. KIRKWOOD: In that particular situation I can't
4 see any objection.

5 MR. PEIRCE: Is there anyone present who desires to
6 speak on this recommendation before the Commission takes
7 action?

8 VOICE: May I ask a question?

9 MR. PEIRCE: Your name, please?

10 VOICE: My name is Templeton. I want to inquire if
11 this would permit an ocean floor completion.

12 MR. HORTIG: I believe so, Mr. Templeton. As a
13 matter of fact, if you are aware of a basis for mechanically
14 completing on the ocean floor, I am sure the staff and the
15 Commission would be very happy to hear about it because
16 obviously that type of completion can solve many of our
17 future operating problems.

18 MR. TEMPLETON: Well, I am not prepared to speak
19 authoritatively on the subject at this time. I don't know
20 as anybody is, except as it is being developed gradually - -
21 I don't know that anyone would attempt completion, full
22 completion of an oil well on the ocean floor.

23 MR. PEIRCE: Any further discussion? (No response)
24 If not, the recommendation is approved.

25 MR. HORTIG: If you gentlemen will refer to page 5, we
26 have similar action requested by the Monterey Oil Company

1 and Texas Company as joint lessees on a lease in the Seal
2 Beach Field, which you gentlemen know is the location of the
3 Monterey offshore island, in which it is requested that
4 authorization be given for amendment of State Oil and Gas
5 Lease P.R.C. 186 to take advantage of Chapter 104, Statutes
6 of 1957, again to permit operations within the lease from
7 any type of offshore structure from which it is mechanically
8 possible to do so. This lease also was issued without any
9 limitation as to distances offshore of any islands to be
10 placed at the time, except it was provided originally that
11 if wells were to be located on the then existing jetties,
12 that the wells would have to be placed 1,000 feet from the
13 shore line. The jetties at the time were only 700 feet long
14 so this wasn't an impossible condition and this was developed
15 subsequently by development of the offshore island, which
16 in this instance is 8100 feet offshore; and it would be
17 necessary that there be Commission approval of any of these
18 broadened types of operation proposed, because of the public
19 objections that were stated and the limitations in the permit
20 issued by the U. S. Corps of Engineers as to where structures
21 might be located on this specific lease. There were no
22 similar limitations in the lease just considered at Rincon.

23 MR. KIRKWOOD: Was that before any actual structures
24 were started, it would have to be brought back to the Commis-
25 sion for specific approval? MR. HORTIG: Yes.

26 MR. PEIRCE: This is essentially the same recommendation
as the one just approved? MR. HORTIG: Yes.

1 MR. PEIRCE: Except it applies to a different area
2 and to two different companies.

3 MR. HORTIG: Correct, sir; and, incidentally, Mr.
4 Ernest Pyles of Monterey expected to be here today to answer
5 the Commission's questions. He caught me five minutes be-
6 fore plane time last night, on the telephone. He has a
7 very bad cold - - I had extreme difficulty understanding
8 him.

9 MR. PEIRCE: He has no objection to this?

10 MR. HORTIG: No sir, it's their application that
11 approval be granted.

12 MR. PEIRCE: I mean the manner in which the approval
13 is granted meets his approval?

14 MR. HORTIG: Yes sir.

15 MR. KIRKWOOD: Certainly, I would think before auth-
16 orizing a structure in this type of area we would have to
17 go back and give some sort of notice to the on-shore people,
18 give them the protection they think is necessary. As long
19 as we retain control over any specific action, I recommend
20 it.

21 MR. PEIRCE: All right. The recommendation is
22 approved. Now back to page 4?

23 MR. HORTIG: Back to page 4, gentlemen. I am not
24 aware of any representative here. This is in the series and
25 we might complete it. State Oil and Gas Lease P.R.C. 91 is
26 unique in the series of State oil and gas leases in that it

1 was the only one issued under one of the alternatives under
2 the Public Resources Code which permitted issuance of a
3 lease for twenty years with no provision for renewal of
4 lease. This lease was so issued and subsequently the Legis-
5 lature provided that, in the event any lease had been
6 issued for a term of twenty years, the Commission might at
7 any time prior to its expiration extend the lease for any
8 time that is deemed for the best interests of the State and
9 provided for specific renewal -- that it shall be for five
10 years or as long as oil or gas shall be produced in paying
11 quantities or the lessee shall be conducting producing,
12 drilling, deepening, repairing, redrilling or other necess-
13 ary lease or well maintenance operations.

14 There are currently twenty-seven wells producing in
15 the area. The most recent were from mobile equipment dur-
16 ing July 1957, to secure data as a basis for determination
17 of a future drilling program.

18 In consideration of the expiration now indicated in
19 1963, the lessees feel it is appropriate that the Commission
20 should consider, under the alternatives now provided in
21 the Public Resources Code, granting an extension of time
22 so that they have a firm period within which to carry on
23 their future developments.

24 It is recommended that the Commission authorize
25 approval of renewal of Oil and Gas Lease P.R.C. 91 in
26 accordance with provisions of Section 6827 of the Public

1 Resources Code, as requested by the operator, for a term
2 of five years and so long as oil and gas is produced in
3 paying quantities and lessee is drilling, repairing, re-
4 drilling, or conducting other necessary lease or well
5 maintenance operations. All other terms and conditions of
6 the lease are to remain unchanged and in full force and
7 effect.

8 MR. PEIRCE: This proposed action is in harmony with
9 the provisions of the original lease?

10 MR. HORTIG: It is in harmony with the provisions
11 of the original lease and the additional authorities that
12 were granted by the Legislature subsequent to the issuance
13 of the lease; and while it would be a precedent, it would
14 be a precedent of no further application because this is
15 the only lease of the type that was ever issued.

16 MR. KIRKWOOD: Are we considered to have any dis-
17 cretion here or is this automatic?

18 MR. HORTIG: The Commission has the discretion --
19 the Commission may grant this extensior; the Commission
20 may also withhold it.

21 MR. KIRKWOOD: What are the terms -- I mean of the
22 royalties?

23 MR. HORTIG: This lease is the one that yielded the
24 highest royalty bid of all prior to the last Richfield bid.
25 In other words, for ten years or more it held the record
26 for having offered the highest royalty and it is actually

1 the lease which has paid the highest individual oil royalty,
2 for a period of time upwards of sixty percent.

3 MR. PEIRCE: What was the term of the original lease?

4 MR. HORTIG: Twenty years from 1943.

5 MR. PEIRCE: What did the company contemplate, at
6 the time the lease was negotiated, at the end of the
7 twenty years?

8 MR. HORTIG: They were happy to take it in order to
9 get a lease at all; and, of course, have viewed for some
10 time the desirability or possibility of extending it in
11 view of the authorization which has been granted by the
12 Legislature to the Commission to consider such extensions.

13 MR. KIRKWOOD: Has this recommendation been reviewed
14 with the A. G.'s office?

15 MR. HORTIG: In broad general terms as to its corre-
16 sponding directly to the language provided in the act, it
17 has. Would you care to comment on that, Mr. Golden?

18 MR. GOLDEN: Mr. Kirkwood, I am Howard Golden, Deputy
19 Attorney General. I have discussed this matter with Mr.
20 Hortig. I believe that the renewal is pursuant to the
21 provisions of Public Resources Code Section 6827 and that
22 the Commission does possess the discretion to authorize
23 such a renewal.

24 MR. KIRKWOOD: Would we have discretion to authorize
25 different terms, too? What if we didn't take this action?
26 Then what would happen? Would we then be in a position

1 just to put it out for a new bid at the end of the lease?
2 And is it your judgment, Frank, that we wouldn't do as
3 well as we would under this renewal, or what?

4 MR. HORTIG: This would be extremely difficult to
5 evaluate at this time. However, in general, many problems
6 of equity, as well as actual operation, arise where in
7 those few instances we are aware of there has been a firm
8 term lease that has not been renewed by other agencies to
9 a particular lessee, where he has had a going operation
10 of the magnitude this one contemplates; and it appears to
11 have been the intent of the Legislature to eliminate those
12 problems by permitting renewals and extensions of existing
13 producing leases -- which this is.

14 As to the first part of your question, as to whether
15 a renewal could be issued on other terms and conditions at
16 this time, I believe the Code provides that it shall be on
17 the same terms and conditions as existent. Is that correct,
18 Mr. Golden?

19 MR. GOLDEN: Unless the Commission and the lessee
20 shall otherwise agree.

21 MR. PEIRCE: We haven't any choice in the matter.

22 MR. HORTIG: Well, it's a choice of no renewal or
23 a renewal.

24 MR. PEIRCE: Let's be practical about it. If there
25 is no renewal, what happens? Operations start . . .

26 MR. HORTIG: Then at the end of twenty years the

1 State would have an operation. In 1963, six years from
2 now, the State would have a lease for which it would have
3 to secure an operator.

4 MR. KIRKWOOD: The lessee would own the operating
5 facilities? Or would they become a part of . . .

6 MR. HORTIG: Such things as were not fixtures, the
7 lessee is authorized to remove; and, further, whether at
8 that late stage of development a more satisfactory royalty
9 bid could be secured than that that was secured, when this
10 was the second highest royalty offered the State, that
11 would be the question.

12 MR. KIRKWOOD: You know of no objections?

13 MR. HORTIG: No sir, inasmuch as it is particularly
14 a one-time precedent.

15 MR. PEIRCE: All right. The recommendation is
16 approved.

17 MR. HORTIG: Many of the gentlemen here are interested
18 in the item on page 6. Existing geological survey permits
19 authorized by the Commission require that such permit be
20 obtained for the drilling of any hole to a depth of greater
21 than 500 feet below the ocean floor. Amendments to the
22 Commission's rules and regulations will become effective
23 November 14th providing that, in conformance with statutory
24 amendments effective September 11 or earlier, geological
25 survey permits will be required on tide and submerged lands
26 irrespective of the depth of the hole. (Page 6, Mr. Kirkwood)

1 It is recommended that the Commission authorize the
2 revocation of all existing geological survey permits as
3 listed on Exhibit A hereto and to issue new permits effective
4 November 15th for the conduct of geological surveys
5 on those tide and submerged lands under the jurisdiction
6 of the State Lands Commission, irrespective of the depth
7 of the hole drilled for obtaining samples.

8 MR. PEIRCE: This is merely carrying out the provisions
9 of the recent statute?

10 MR. HORTIG: And the new rules and regulations to
11 conform our permits thereto.

12 MR. KIRKWOOD: Otherwise, the terms of the permit
13 would remain the same?

14 MR. HORTIG: That is right.

15 MR. PEIRCE: Is there any objection? Mr. Hutchins.

16 MR. HUTCHINS: We have an application in for an additional
17 extension. Would that come under the terms of this?

18 MR. HORTIG: Yes. MR. HUTCHINS: Thank you.

19 MR. PEIRCE: The recommendation is approved.

20 MR. HORTIG: Page 8. On October 14th, two bids were
21 received in response to a public notice of intention of
22 the Commission to enter into a lease for the extraction of
23 sand from 239 acres of tide and submerged lands in San
24 Francisco Bay in Marin and San Francisco Counties. The
25 Commission previously authorized publication of this offer.
26 The two bidders complied with the terms and conditions of

1 the offer. Moe Sand Company, the highest qualified bidder,
2 offered a royalty of three cents per cubic yard, plus an
3 additional ten percent of the sales price in excess of
4 thirty cents a cubic yard.

5 It is recommended that the Commission authorize the
6 issuance of a mineral extraction lease to the Moe Sand
7 Company for the 239 acres of tide and submerged lands in
8 San Francisco Bay, as detailed in the notice of intention
9 under Work Order 2665, subject to payment of royalty in
10 accordance with the established schedule. A performance
11 bond in the penal sum of \$5,000 is to be deposited by the
12 lessee to guarantee faithful performance of all lease con-
13 ditions. Representatives of both high and low bidders are
14 present if the Commission desire any further information.

15 MR. PEIRCE: Are there any objections to the recom-
16 mendation of the Executive Officer?

17 MR. KIRKWOOD: This additional ten percent of the
18 sales price in excess of thirty cents per yard will bring
19 in some revenue? MR. HORTIG: Yes sir.

20 MR. KIRKWOOD: Is this a thing that is called for
21 by the bids? Is it responsive to the bid?

22 MR. HORTIG: It is responsive to the bid. The formula
23 given in the recommendation, as you see, is the formula
24 that is put in the bid and a so-called bid factor is received
25 from the bidders, pursuant to the established policy of the
26 Commission with respect to offering mineral leases other

1 than oil and gas. This policy, incidentally, is under
2 staff review, with the intention of bringing recommendations
3 for further modifications at a later date. However, this
4 offer is identical with those that have been offered over
5 the last nine years by the Lands Commission.

6 MR. KIRKWOOD: No problem of comparability?

7 MR. HORTIG: No problem in evaluating the bids.
8 The problem is explaining it to the bidders in the first
9 instance.

10 MR. PEIRCE: How many bids were received on this?

11 MR. HORTIG: Two bids.

12 MR. PEIRCE: Any further questions?

13 MR. KIRKWOOD: What is the bid factor? What do
14 you bid on - ten percent?

15 MR. HORTIG: That 0.10 immediately preceding the
16 parenthesis is a blank in the bid offer and the bidder
17 inserts that multiplier.

18 MR. KIRKWOOD: I see. O. K.

19 MR. PEIRCE: All right. The recommendation is
20 approved.

21 MR. HORTIG: Page 41, gentlemen. On July 15, the
22 Commission approved the costs to be expended in the 1957-58
23 fiscal year by the Harbor Department of the City of Long Beach
24 including subsidence remedial work for the "Roads and Streets"
25 area project. Subsequent to the above mentioned approval
26 it has developed that additional costs will be incurred by

1 the Harbor Department as compared to the present estimate,
2 as detailed also on Exhibit A attached. This project has
3 received staff review and is considered to be proper and
4 the increased costs are considered to be reasonable. It
5 is therefore recommended that the Commission approve such
6 costs proposed to be expended by the City over and above
7 those costs previously approved under this stated named
8 project, for the period November 12, 1957 to June 30, 1958,
9 subject to the standard reservations adopted by the Commis-
10 sion for approval of projects of this type.

11 MR. KIRKWOOD: This is the same type we had before?

12 MR. HORTIG: Yes sir -- cost more than originally
13 estimated.

14 MR. PEIRCE: This meets the approval of the City of
15 Long Beach? MR. HORTIG: Yes.

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

17 MR. HORTIG: Page 43. The Commission has heretofore
18 approved costs proposed to be expended by the City of Long
19 Beach in September-October-November 1957 for property pur-
20 chase, for areal fills, and building removal. These appro-
21 vals have been on a monthly basis rather than on a fiscal
22 year basis, since the major project, the "Town Lot" project,
23 has not been processed sufficiently to be proposed in its
24 entirety for fiscal year approval by the Commission. Under
25 these circumstances, in order to continue operations under
26 this project, it is again necessary to present to the

1 Commission the recommendation for approval of costs proposed
2 to be expended by the City of Long Beach during November and
3 December 1957 on the "Town Lot" project, as detailed in
4 Exhibit A on page 44 following.

5 It is recommended that the Commission conditionally
6 approve the "Town Lot" area project as a subsidence project
7 and the costs proposed to be expended thereunder for prop-
8 erty purchase, building removal and areal fill, and force
9 account, as shown on Exhibit A attached, subject to the
10 standard conditions that the Commission has heretofore
11 determined applicable to project approvals; with the addi-
12 tional condition that the City of Long Beach is not author-
13 ized to withhold from revenues due the State any costs for
14 the "Town Lot" project until Commission approval has been
15 had. This, again, is repetitive in the sense that the
16 Commission approved an identical item last month and the
17 month preceding.

18 MR. PEIRCE: This is routine, then?

19 MR. HORTIG: Identical in principle.

20 MR. PEIRCE: All right? Mr. Kirkwood moves --
21 the recommendation is approved.

22 MR. HORTIG: Page 45, please. The Commission has
23 heretofore approved costs proposed to be expended at the
24 City of Long Beach for force account for the new Admini-
25 stration Building, such items to be expended during the
26 months of September, October and November. Similarly to

1 the project just discussed, this project has not yet been
2 determined completely as to bases for recommendation to the
3 Commission on a fiscal year basis. Therefore, it is recom-
4 mended that the Commission approve costs proposed to be
5 expended by the City of Long Beach during December 1957 and
6 for engineering work precedent to the establishment of the
7 new Administration Building of the Long Beach Harbor Depart-
8 ment, subject again to the standard terms and conditions
9 that the Commission has determined to be applicable to all
10 project approvals requiring engineering review and final
11 audit subsequent to the time the work is completed and
12 prior to the time of determining actual allowances.

13 MR. KIRKWOOD: This is O. K.

14 MR. PEIRCE: Recommendation is approved.

15 MR. HORTIG: Will you gentlemen please refer to the
16 bottom of your calendar, to which has been added a supple-
17 mental item? The six existent drilling and operating con-
18 tracts heretofore entered into between the Board of Harbor
19 Commissioners of the City of Long Beach and the Long Beach
20 Oil Development Company relating to tidelands oil develop-
21 ment on granted parcels of tide and submerged lands provide
22 that the contractor may expend the reasonable and necessary
23 costs for performance of labor on the respective contracts.
24 Consideration has been given to a form of a plan for incen-
25 tive pay demanded by the contractor's employees. Both the
26 City of Long Beach and the contractor consider the plans to

1 be equitable and comparable to other employee benefit plans
2 within the oil industry. Because the plan provides for
3 deferred compensation through a trust fund, it has been
4 determined that the subject six contracts must be amended
5 to provide for accumulation of the trust fund and such
6 amendment must be approved by the State Lands Commission
7 under Chapter 29.

8 Pursuant to Section 10, Chapter 29, Statutes of
9 1956, First Extra Session, the Board of Harbor Commissioners
10 have submitted a plan for an amendatory agreement for in-
11 creased, incentive pay and other benefits for the employees
12 of the Long Beach Oil Development Company. The form and
13 content of the proposed amendment have also been approved
14 by the Council of the City of Long Beach.

15 Review by the State Lands Division staff has shown
16 that the benefits proposed are reasonable in comparison with
17 the operating practices of the major operators in the field.
18 The form of agreement amendment has been reviewed by the
19 office of the Attorney General with respect to conformance
20 with Chapter 29 in view of the fact that the Commission may
21 consider it for approval subject to two conditions, which
22 are, therefore, included in the recommendation:

23 It is recommended that the Commission approve
24 amendment of drilling and operating contracts dated March
25 15, 1939, January 2, 1942 and August 3, 1944 submitted by
26 the Board of Harbor Commissioners of the City of Long Beach,

1 to provide a plan for incentive pay and other benefits for
2 the employees of the Long Beach Oil Development Company,
3 subject to the following conditions:

4 (1) Surety for the bonds covering the six drilling
5 and operating contracts shall expressly advise the Commis-
6 sion in writing that the bonds are interpreted by the bond-
7 ing company to cover a warranty by the Long Beach Develop-
8 ment Company that an amount equal to any excess in the trust
9 fund at termination will be paid to the City of Long Beach.

10 (2) The City of Long Beach and the Long Beach Devel-
11 opment Company shall advise the Commission in writing of
12 the specific understanding that any funds remaining in the
13 trust fund at termination will be distributed half to the
14 City and half to the State.

15 These are satisfactory to the representatives of
16 the City of Long Beach and the Long Beach Development Company.

17 MR. PEIRCE: And you so recommend?

18 MR. HORTIG: Yes sir.

19 MR. PEIRCE: There is an element of urgency in this
20 regard?

21 MR. HORTIG: Yes, there is. It's a matter of
22 employee relations primarily. This item, while it has just
23 recently come to the attention of the staff in final form,
24 has been a matter of extended and lengthy negotiations, as
25 you can appreciate, between the contractor and the City and
26 the employees.

1 MR. BRADY: Mr. Chairman, I am Philip Brady, Deputy
2 Attorney of the City of Long Beach. I talked to Mr. Hortig
3 this morning and the conditions are perfectly in accord
4 with the City. Mr. Golden did make one suggestion -- in
5 view of the fact that the surety has not executed the
6 surety bond, rather than have the surety give a letter to
7 the Commission that we revise the surety itself, so as to
8 expressly spell out condition number one -- which we are
9 willing to do right in the agreement.

10 MR. PEIRCE: Acceptable, Mr. Hortig?

11 MR. HORTIG: This is a matter of mechanics and it
12 is certainly acceptable. This alternative had been proposed
13 to avoid the necessity of modifying any documents already
14 executed. If this is acceptable to the City and the surety,
15 it is certainly acceptable to us.

16 MR. BRADY: We would much rather do it by letter
17 than by redrafting the surety, if that would meet the approval
18 of the Attorney General.

19 MR. PEIRCE: Would this require rewriting?

20 MR. HORTIG: Yes, to the extent that rather than
21 requiring a specific writing from the surety of the under-
22 standing, the understanding would be included in the docu-
23 ment itself as to acceptance by the surety. Would you want
24 to comment further on the desirability of either of these
25 alternatives, Mr. Golden?

26 MR. GOLDEN: Because the consent of the surety has

1 not yet been executed, it is my opinion that it would be
2 preferable to incorporate the proviso discussed by Mr.
3 Brady directly into the consent of the surety. With respect
4 to whether it is necessary to rewrite your recommendation,
5 it seems to me that the execution of the consent of the
6 surety embodying the provisions that we are discussing
7 would be simply one means of advising the Commission in
8 writing that the bonds are interpreted by the bonding com-
9 pany to insure performance of the particular warranty by
10 the contractor.

11 MR. HORTIG: Fine. Under those circumstances, the
12 recommendation is before the Commission as stated.

13 MR. KIRKWOOD: Move the recommendation.

14 MR. PEIRCE: Now, Mr. Brady, does that meet your
15 approval? MR. BRADY: Yes.

16 MR. PEIRCE: All right. We are in accord. The
17 recommendation is approved.

18 MR. HORTIG: May I have thirty seconds to determine
19 where we are, gentlemen? Mr. Chairman, I believe
20 those are all the items on which there is personal repre-
21 sentation this morning. I would appreciate it if you might
22 ask if anyone wishes to be heard.

23 MR. PEIRCE: Is there anyone else present who is
24 interested in being present at the time any of the general
25 items of the agenda are considered? If so, we will rearrange
26 the agenda and take up the item that concerns you.
(No response)

1 MR. PEIRCE: I would take it we can proceed in the
2 general order. Page 9?

3 MR. HORTIG: Page 9. The Commission may recall
4 that at the last meeting a bid of Columbia-Southern Chemical
5 Corporation for a mineral extraction lease was rejected be-
6 cause the bid was not responsive to the bid offer. The
7 Columbia-Southern Chemical have now filed a new application
8 to reinstitute the bidding proceeding, requesting a new
9 offer by the Commission of a lease on an area of land in
10 the bed of Owens Lake to provide for mineral extraction from
11 the lease, in accordance with the minimum royalties as
12 specified in the Public Resources Code. It is recommended
13 that the Commission authorize the publication of the offer
14 for lease and request for bids.

15 MR. KIRKWOOD: All our costs were reimbursed?

16 MR. HORTIG: Yes sir, they were.

17 MR. KIRKWOOD: Move the approval.

18 MR. PEIRCE: All right, the recommendation is
19 approved.

20 MR. HORTIG: Page 12 - - an analogous item. An
21 application has been received from Zodiac Uranium, Inc. for
22 a mineral extraction lease on 320 acres of vacant State
23 school land in Tehama County, which had previously been
24 included under a mineral extraction lease. A field recon-
25 naissance has established that commercially valuable deposits
26 exist. It is recommended that the Commission authorize the

1 publication of the lease in accordance with the rules and
2 regulations and statutes applicable.

3 For your information, Mr. Kirkwood, at this point --
4 As you see, in the formula there is a "B". This is the bid
5 factor, which the bidder inserts, which in the other lease
6 was offered at 0.10 by the bidder.

7 MR. PEIRCE: Any questions?

8 MR. KIRKWOOD: No.

9 MR. PEIRCE: The recommendation is approved.

10 MR. HORTIG: Page 13. Four separate lease agreements
11 have heretofore been entered into in 1953, '54 and 1956 to
12 various lessees for the operation of logging and lumber mill
13 operations. The lessees have failed to pay rentals due
14 under the leases, as indicated by the schedule following;
15 and the leases provided, in part, that the lessee will pay
16 rentals without deduction, default or delay and in the event
17 of the failure of the lessee to do so, it shall be lawful
18 for the State to cancel the lease. The lessees' attorney
19 has been notified numerous times, and as recently as August
20 26, 1957, of the defaults under the respective leases and
21 there has not been any reply even to the last notification.

22 All the lessees did deposit at the time of issuance
23 is the last year's rent and it is recommended that the Com-
24 mission authorize the cancellation of the respective leases
25 and to apply the last year's rentals to cover the delinquent
26 rentals.

1 MR. KIRKWOOD: These have been used for logging?

2 MR. HORTIG: Actually just for timber-floating
3 down the stream, no timber operation as such.

4 MR. PEIRCE: Recommendation is approved.

5 MR. HORTIG: Page 14, gentlemen. Due to very recent
6 discussion with the office of the Attorney General relative
7 to the recommendation to be made, I wish to recommend that
8 this item be deferred for consideration of the Commission
9 at the next meeting, after further staff review.

10 Page 15. Mr. Smith will you take that?

11 MR. SMITH: These are sales of State school lands.
12 The recommendation: It is recommended that the Commission
13 authorize the sale of vacant State school land for cash at
14 the highest offer in accordance with the following tabula-
15 tion, such sales to be subject to all statutory reservations
16 including minerals. There follows a tabulation of thirteen
17 school land sales, all of which are routine. There are no
18 problems involved.

19 MR. KIRKWOOD: I move the approval.

20 MR. PEIRCE: The recommendation is approved.

21 MR. HORTIG: Page 31. The Commission will recall
22 at the September meeting a presentation by Mr. Raymond R.
23 Kahl relative to application of statutes relating to trans-
24 fers of State lands, which the Commission directed be pre-
25 sented to the office of the Attorney General for review --
26 which we did. The conclusion was relayed to Mr. Kahl.

1 Mr. Kahl announced a lengthy series of objections, not the
2 least of which was that he felt he had insufficient length
3 of notice of this meeting of the State Lands Commission;
4 and, therefore, I should like to recommend that the Commis-
5 sion defer consideration of this item until the next meeting
6 of the State Lands Commission, to which Mr. Kahl will be
7 invited with an abundance of notice.

8 MR. PEIRCE: That's O. K. with you, Bob?

9 MR. KIRKWOOD: Yes.

10 MR. PEIRCE: O. K. That deferment is approved.

11 MR. HORTIG: Page 32. Minute Item 14 of the Commis-
12 sion meeting of September 13 reported a transposition of
13 dates in the authorization for extension of time within
14 which the purchase applicants might submit the required
15 amounts to meet the appraised land values established by
16 the staff. It is recommended that the Commission authorize
17 the revision of the resolution of September 13, 1957,
18 Minute Item 14, to read as written. For the information of
19 the Commission, the transposition occurred between the
20 dates of September 13 and November 2 where applicable.
21 They were transferred in the Minute Item. There is no
22 change from the transcript of the action of the Commission,
23 but the transposition occurred between the transcript and
24 the preparation of the Minute Item.

25 MR. PEIRCE: We are correcting the Minutes?

26 MR. HORTIG: Yes.

1 MR. PEIRCE: O. K. The recommendation is approved.

2 MR. HORTIG: If we may pass temporarily page 33,
3 the representative may yet arrive.

4 Page 34 -- sale of vacant Federal land. Will you
5 take that, Ken?

6 MR. SMITH: Yes. Sale of vacant Federal land -
7 and the Commission at its meeting of May 1957 approved the
8 sale. The application involved 586 acres. When the sale
9 was approved, the Bureau of Land Management had allowed the
10 application in its entirety. After approval of the sale by
11 the Commission and deposit of the moneys to the appropriate
12 fund by the applicant, the Bureau of Land Management re-
13 jected forty acres of the application, thereby necessitating
14 a refund of the amount paid for that forty acres to the
15 applicant. The recommendation:

16 It is recommended that the resolution adopted by
17 the Commission at its meeting May 13, 1957 be rescinded as
18 to that parcel of land included therein and described as
19 the SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 35, containing forty acres,
20 for the reason that the State's application for said land
21 was rejected by the Federal government. Further, that
22 authority be granted the acting Executive Officer to issue
23 restitution in accordance with law providing for refund of
24 the purchase price paid for that forty acres. The Public
25 Resources Code, Section 7971, provides for a certificate of
26 restitution.

1 MR. PEIRCE: We haven't any choice in the matter,
2 have we?

3 MR. HORTIG: No sir, this is standard.

4 MR. KIRKWOOD: The breakdown is given so that the
5 \$280 was originally assigned to this?

6 MR. HORTIG: That's right.

7 MR. KIRKWOOD: O. K.

8 MR. PEIRCE: The recommendation is approved.

9 MR. HORTIG: Page 35. Ken?

10 MR. SMITH: An offer has been received from Lois
11 Cagle Kander of Los Angeles to purchase forty acres of
12 vacant Federal land at San Bernardino County. The lands
13 were appraised at \$450 per acre. She objected to the ap-
14 praised value and an additional period of twenty days was
15 allowed her to submit the additional amount to meet the
16 appraisal or to submit evidence showing where the staff
17 appraisal was in error. She has failed to submit the
18 deposit to meet the appraisal and also has failed to submit
19 any evidence showing where the original appraisal may have
20 been in error.

21 It is, therefore, recommended that the Commission
22 grant the additional twenty-day period to meet the appraised
23 value or submit evidence with respect to the value; and to
24 determine that it is to the advantage of the State to select
25 the forty acres in San Bernardino County; that the Commis-
26 sion find that this said land is not suitable for cultivation

1 without artificial irrigation; that the Commission approve
2 the selection thereof and authorize the sale thereof subject
3 to rules and regulations governing vacant school land.

4 MR. KIRKWOOD: What makes this worth so much?

5 MR. SMITH: It is very close to an area that has
6 been developed for subdivision use.

7 MR. PEIRCE: Is this the application where the appli-
8 cant appeared before us one or two meetings ago?

9 MR. HORTIG: No sir, that is the item we have passed
10 on the calendar.

11 MR. PEIRCE: Oh, yes. It is quite a range -- in
12 other words, the applicant offers \$200 and the appraisal is
13 \$18,000.

14 MR. KIRKWOOD: That's the minimum.

15 MR. HORTIG: Well, that's the minimum.

16 MR. KIRKWOOD: What do we do with this now?

17 MR. SMITH: It will be placed on the vacant school
18 land list and sold in competitive bidding. Anyone can apply.

19 MR. KIRKWOOD: But we have to wait for the application.

20 MR. SMITH: The minimum application will be \$450.00.

21 MR. PEIRCE: This recommendation merely gives an
22 extension of time?

23 MR. HORTIG: No sir. This recommendation confirms
24 extension previously granted by the staff; effectively cancels
25 Mrs. Kander's application; selects the land and places it on
26 the vacant school land list for sale pursuant to the vacant
school land procedure.

1 MR. PEIRCE: In other words, we are confirming
2 this extension of this matter by you?

3 MR. HORTIG: Yes sir.

4 MR. KIRKWOOD: How long does that \$450 appraisal
5 stand there?

6 MR. SMITH: Until it's reappraised, based upon a
7 filing of an application for purchase. It may go up or may
8 be revised downward, depending on the land trend values.

9 MR. KIRKWOOD: It is all right.

10 MR. PEIRCE: Recommendation is approved.

11 MR. HORTIG: Page 36, Ken.

12 MR. SMITH: Page 36 - Sale of vacant Federal land.

13 It is recommended that the Commission determine that it is
14 to the advantage of the State to select Federal lands com-
15 prised in the following cases; that the Commission find
16 that said Federal lands are not suitable for cultivation;
17 that the Commission authorize the sale of the land for cash
18 at the total appraised value in accordance with the follow-
19 ing tabulation, such sales to be made subject to all statu-
20 tory reservations including minerals. There follows two
21 tabulations. These are routine.

22 MR. PEIRCE: The recommendation is approved.

23 MR. HORTIG: Page 39. An application has been re-
24 ceived from Shell Oil Company for permit to dredge tide and
25 submerged lands of the State adjoining a wharf at Martinez
26 to improve docking facilities. The lands to be dredged are

1 held by Shell Oil Company under a State lease for mainten-
2 ance and utilization of the wharf. Public Resources Code
3 Section 6303 provides, in part, that the Commission may
4 allow a contractor or permittee to have sands, gravel or
5 other spoils dredged from the sovereign lands of the State
6 without paying a royalty therefor where the permittee has
7 the permit from the Federal government to dredge lands for
8 the improvement of navigation.

9 It is recommended that the Commission authorize
10 the issuance of a permit to Shell Oil Company to dredge the
11 tide and submerged lands adjoining the wharf at Martinez,
12 Contra Costa County, under P.R.C. Lease 543.1, subject to
13 the issuance of permit by the U. S. Corps of Engineers for
14 such dredging in improvement of navigation. The permit shall
15 limit the dredging to a maximum of 350,000 cubic yards.
16 The consideration for the permit shall be the benefit to
17 navigation.

18 MR. KIRKWOOD: All right.

19 MR. PEIRCE: Recommendation is approved.

20 MR. HORTIG: Page 40. On October 31, the Lands
21 Division was informed that the City of Richmond proposed to
22 extend its corporate limits by annexation of uninhabited
23 territory contiguous to the present upland city limits,
24 including approximately 4,810 acres of tide and submerged
25 lands in San Francisco Bay. Under the revised Government
26 Code, as revised by the Statutes of 1957, when territory

1 proposed to be annexed consists entirely of tide and sub-
2 merged lands of the State, the legislative body (in this
3 instance the City of Richmond) shall determine the value
4 of such tide and submerged lands for the purposes of this
5 article. For the purposes of such determination, the State
6 Lands Commission shall fix the value of tide or submerged
7 lands owned by the State and shall notify the legislative
8 body of its determination. The City of Richmond has re-
9 quested that the Commission determine and fix these values
10 and submit them before November 25, 1957, which is the date
11 now set for the proposed hearing.

12 A review of the location and potential utilization
13 of the lands proposed to be annexed has not developed any
14 bases for the Commission objecting to this annexation. An
15 appraisal of the area, based upon the most recent appraisals
16 for similar lands in San Francisco Bay, has resulted in an
17 estimated average value of \$100.00 an acre for the subject
18 land.

19 It is recommended that the Commission authorize
20 notification of the City Council of the City of Richmond
21 that the total value of the lands to be annexed has been
22 fixed at \$481,000, pursuant to the provisions for such
23 determination as specified in Section 35313.1 of the
24 Government Code.

25 MR. KIRKWOOD: Where does this land lie?

26 MR. HORTIG: Immediately in front of the upland

1 portions of the City of Richmond. There is a slight fanning
2 to the north, but there is no shoestring annexation up and
3 down the coast.

4 MR. PEIRCE: What use will the City make of this
5 land, or do you know?

6 MR. HORTIG: They are interested, and have been
7 for a considerable period of time, in further harbor devel-
8 opment. They already have a few docks and piers in operation
9 there and in anticipation of a dredging project -- which
10 will be extensive, incidentally -- to render this land
11 navigable over two or three feet of water for a goodly
12 portion of it, they hope to augment their harbor facilities
13 and would like to have the harbor development within the city
14 limits for the normal purposes of municipal control.

15 MR. PEIRCE: Have we as a Commission heretofore made
16 grants of this nature?

17 MR. KIRKWOOD: This isn't a grant. This isn't a
18 sale. They will have to come back to us for permission to
19 do any dredging.

20 MR. HORTIG: They will have to come back to us for
21 permission to erect any piers. They will still have to be
22 authorized.

23 MR. KIRKWOOD: This is just for the purpose of
24 annexation.

25 MR. HORTIG: You may recall in the Santa Barbara
26 case, there was an argument. If the owners of more than

1 fifty percent of the value of the land approve, the annexa-
2 tion follows.

3 MR. PEIRCE: In other words, this is annexation and
4 not transfer of title.

5 MR. HORTIG: No sir, no transfer of title is involved
6 at all. As a matter of fact, they own the majority of the
7 lands in this case and there would normally be no problem
8 with respect to this annexation, except by the specific
9 language of the Government Code it is required that this
10 valuation be made by the Lands Commission. This is the
11 first time we have had a proposed annexation since this
12 amendment of the statutes has been in effect.

13 MR. KIRKWOOD: O. K.

14 MR. PEIRCE: All right, the recommendation is approved.

15 MR. HORTIG: Page 47, gentlemen. On July 15, the
16 Commission appointed F. J. Hortig as acting Executive Officer
17 effective that date, subject to further consideration after
18 review by the Commission of the organization and personnel
19 assignments in the State Lands Division. The attention of
20 the Commission is invited to this matter for consideration
21 of any further required action.

22 MR. PEIRCE: The question before us now is with
23 respect to the appointment of Mr. Hortig as Executive Officer
24 and to succeed himself as acting Executive Officer. I
25 think both Mr. Kirkwood and I have talked informally with
26 the Lieutenant Governor with respect to this matter and we

1 are confident that it would meet with his full and, I
2 believe, enthusiastic approval; and so at this time we have
3 before us the question of making Mr. Hortig permanent Execu-
4 tive Officer of the State Lands Commission. Mr. Kirkwood?

5 MR. KIRKWOOD: Mr. Chairman, I think, as you have
6 indicated, that this is appropriate action for us to take.
7 I think that Mr. Hortig has demonstrated his ability to
8 handle this position and now some of the civil service prob-
9 lems that needed clarification before we made this particular
10 move have been cleared and I would move that we name Mr.
11 Hortig as the Executive Officer of this Commission.

12 I think one thing has come up as a part of our dis-
13 cussions, one that I don't want to take final action on
14 until we have had a chance to discuss more fully with the
15 Lieutenant Governor, because I personally have some doubts
16 as to just where we should finally place the salary of this
17 office. But, again, I think we can take as temporary action
18 what would be, I am sure, unanimously agreed to by the
19 three of us as the minimum and then hold open the possi-
20 bility at a later date of increasing the salary. We have
21 explored with people of your department as to what would
22 have been the normal step increase here as of July 1st and
23 are informed that a two-step increase over the old salary
24 would have been given, which would bring this up to the
25 range of \$1100-\$1200; and I think in view of Mr. Hortig's
26 experience that he should assume this office at the maximum

1 of that or \$1200.00. So I would move that he be named as
2 Executive Officer, with the range to be fixed as that, and
3 that you, as the head of the Department of Finance, be
4 requested to approve his taking office at the maximum.

5 MR. PEIRCE: You have heard the motion made by Mr.
6 Kirkwood that Mr. Hortig be made Executive Officer and that
7 his compensation be established in the range of \$1100-\$1200
8 per month, and that the Commission recommend to the Director
9 of Finance that he approve that Mr. Hortig be paid the top
10 salary in the range; and I will so indicate at this time
11 that it meets the approval of the Director of Finance that
12 that be done and so will be the order.

13 Now, I want to make note of the fact that Mr.
14 Kirkwood stated that this salary question is subject to
15 further review when the Lieutenant Governor is present and
16 we are taking this action at this time in his absence because
17 we want to expedite the transition of Mr. Hortig's position
18 from acting Executive Officer to Executive Officer. So
19 that will take care of you, Mr. Hortig, for the time being.

20 MR. HORTIG: Thank you.

21 MR. PEIRCE: I would like to say this in the presence
22 of those assembled -- that during the time that I have been
23 a member of this Commission, which is four years, I have
24 grown to admire Mr. Hortig and his fine ability very, very
25 much. He is a fine, loyal, devoted public servant. He has
26 left no stone unturned in his efforts to protect the best

1 interests of the State of California and I am especially
2 pleased that things have worked out so that he becomes our
3 Executive Officer. I am sure all of us can expect from Mr.
4 Hortig loyal devotion to the public service from this point
5 on and that he will be fair in his dealings with all who
6 have business to transact with the Lands Commission, having
7 uppermost in his mind the protection of the best interests
8 of the State.

9 Mr. Hortig, I don't know whether I should congratu-
10 late you or congratulate us for having you as our Executive
11 Officer.

12 MR. HORTIG: Thank you.

13 MR. KIRKWOOD: I would certainly like to second that.

14 MR. PEIRCE: All right. Mr. Hortig, we will go
15 back to . . .

16 MR. HORTIG: Page 33. On September 13, the Com-
17 mission authorized an extension of time to November 2, 1957
18 within which the applicants for lands embraced in the num-
19 bered applications cited in the heading of this item might
20 submit the required amounts to meet the appraised valuation
21 established by the staff. November 2 fell on a Saturday
22 and thereby it was considered automatically gave the appli-
23 cants an extension to 5:00 p.m. November 4, 1957, the next
24 working day. On November 4, Mrs. R. E. Thurber reported by
25 telephone for the balance of the applicants that the balance
26 of the deposits would be presented in escrow that day.

1 Pursuant to this representation, an extension of time was
2 granted to November 12 for the respective applications to
3 permit Commission consideration as to whether further time
4 extensions should be granted to permit consummation of the
5 land sales through escrow proceedings. On November 6, Mrs.
6 Thurber reported by telephone that no escrow had been estab-
7 lished and requested consideration of two alternative pro-
8 cedures under which partial or token deposits would be
9 accepted and time extensions would be required by the appli-
10 cants in which to submit the balances of the purchase price.

11 On November 7, Mrs. Thurber was informed as follows:

12 "After review of the proposals which you reported
13 yesterday, November 6, it was determined that the
14 maximum that can be done under the law and rules
15 and regulations with respect to the pending appli-
16 cations which you are representing will be a recom-
17 mendation to the Lands Commission on November 12
18 to approve any sales to original applicants for
19 which the full cash price is on deposit with the
20 Commission by 5 p.m. November 11, 1957 and to cancel
21 the balance of the applications for which the full
22 cash deposit has not been made."

23 I would like to interject at that point, the 11th having
24 been a holiday would have been a normal extension to 5 p.m.
25 today for deposit of such funds by the applicants.

26 It is recommended that the Commission confirm the
extension from November 2 to November 12 for the numbered
applications as authorized for sale September 13, and
authorize the sale of such lands embraced in the respective
applications for which the full cash price has been deposited
with the Commission by 5 p.m. November 12. The applications

1 are to be cancelled as to those applicants who failed to
2 deposit with the Commission the full cash price prior to
3 5 p.m. November 12 and any amounts previously deposited
4 are to be refunded, less expenses incurred.

5 The lands designated in the respective cancelled
6 applications are to be offered for sale at competitive
7 bidding under the rules and regulations governing the sale
8 of vacant school land.

9 Since we withheld action on this item, gentlemen,
10 Mrs. Thurber has arrived. I am sure she would like to
11 have an opportunity to discuss this.

12 MRS. THURBER: I think it is very fortunate that
13 I happened to be here at this moment, after the tribute to
14 Mr. Hortig, because he is the kind of man that can give you
15 a negative ruling and make you love him for it. I came
16 here today expecting to ask permission to voice for our
17 applicants ... I think you are familiar with the fact that
18 through my efforts in organization and research and the
19 assistance of a hundred, 104 friends, we have been in an
20 effort to pull land out of the Federal government into the
21 State tax rolls under the lieu land laws, and about thirty
22 square miles have been brought in that way. Of that thirty,
23 about 1800 acres have been released to the applicants and
24 that is the subject matter you have just heard from Mr.
25 Hortig, who was very gracious fifty days ago in giving me
26 fifty days' extension in which to finance the very much

1 higher appraisals than we expected. Unfortunately, we
 2 couldn't get anyone interested in the business world to
 3 come in with us and especially since the sales of land out
 4 in Lucerne Valley are about ten percent of what they were
 5 a year ago. So we failed

6 The applicants wish me to say we have never seen any
 7 public agency show such courtesy, such real heart in the
 8 needs of the citizens of the State. We think this is one
 9 of the finest governmental agencies that exists. We hope
 10 to do more business with you, and we have been as satisfied
 11 with Mr. Hortig. He is aggressive and when he says a thing,
 12 it is so. Even though you may wish it is black when it is
 13 white, it is still white.

14 I couldn't ask for a hearing ahead of time because
 15 unfortunately I want to say the main motive behind
 16 this is not profit making. Our people were not going to
 17 gain anything out of this. We have a dream, a dream to
 18 create out in the high desert, where health is magnificent,
 19 a retirement community for senior citizens. We have inter-
 20 ested construction people; we have interested loan companies;
 21 we have interested others, if we can get the land -- and the
 22 land has to be very low priced in order to take advantage
 23 of FHA 203(i). There are millions of people like myself,
 24 over sixty, who want easier financial conditions. They are
 25 respected citizens, provided two to three hundred dollars a
 26 month, which does not mean a thing. A person like myself

1 could go out in Lucerne Valley with a 16 x 25 living room,
2 with a nice bathroom, a screened terrace -- get it at
3 cost -- the house and lot would only be \$7,000. And we
4 dream making an opportunity for thousands of those citizens
5 who all want to come to California if you give them a jog
6 in the elbow. That was our dream, which is not shattered
7 yet. It's such a good thing I feel the Lord is behind us.

8 I was able to interest this man to put \$100,000
9 approximately into now applying for the land in his own
10 name. We are out of it. I am now relinquishing the right
11 for our applicants because we cannot meet that at five
12 o'clock today. This is a new application and I have agreed
13 to come here today before you because he has only two days
14 in town and here is the check, here is the application.
15 Before I present it, he wanted me to find out two things.
16 It's a lot of money. He wanted an expression from you of
17 what is the period of time required to file this. Can I
18 file this today, or a minute after five, or tomorrow morn-
19 ing or what? And how long will it take Mr. Hortig to
20 process it? I have told him that I think as soon as his
21 money is in, it will be advertised and it will take about
22 thirty days to advertise it for cross bids, and then he
23 will be advised, as I have seen these things go through
24 before. Perhaps the policy is different now. But suppos-
25 edly, that it would take about thirty days for advertising
26 and another thirty days or so to get it to the State office

1 saw the Governor and back.

2 MR. PEIRCE: Mr. Hortig, you have heard Mrs. Thurber's
3 question? MR. HORTIG: Yes.

4 MR. PEIRCE: The first question is, can these other
5 applicants withdraw and there be substituted in their
6 stead a new application in the manner suggested by Mrs.
7 Thurber or are there complications in that procedure?

8 MR. HORTIG: The answer to the question as you have
9 stated it, Mr. Peirce -- no, the applicants cannot withdraw.
10 However, I am not clear on what the presentation is that
11 is being made by Mrs. Thurber. This is the first time I
12 have heard it.

13 MRS. THURBER: I just got it the last three days.

14 MR. HORTIG: Is it your proposal to substitute a
15 lieu land application?

16 MRS. THURBER: You have just put it in the minutes
17 that it's to go into State lands.

18 MR. HORTIG: Yes, this is the recommendation.

19 MRS. THURBER: Then if it is State school lands,
20 then he can apply on it and meet the bidding.

21 MR. HORTIG: On that basis, may I ask Mr. Smith a
22 question? On the assumption that the Commission were to
23 approve the recommendation of the calendar item as it
24 stands, which would permit cancellation after 5 p.m. of
25 any applications for which the deposit had not been made,
26 what time would be involved in transferring the cancelled

1 lands to the vacant land list and making them available
2 and susceptible to application under the school land sales
3 procedure?

4 MR. SMITH: All those that have been listed to us,
5 clear listed to us, just a matter of setting them up on
6 our vacant land list -- not more than a day or two. By
7 tomorrow that would be completed and they would be subject
8 to purchase at that time.

9 MRS. THURBER: Then I can stay over? May I say the
10 same thing about Mr. Smith? We have nearly killed him --
11 we have written hundreds, hundreds of letters, and always
12 courteously and warmly received.

13 MR. PEIRCE: Thank you, Mrs. Thurber, for those
14 very nice sentiments.

15 MR. KIRKWOOD: What is the status of that land?
16 What kind of application is filed and what deposit is
17 necessary?

18 MR. SMITH: I think there is a balance of thirteen
19 applications, isn't that correct?

20 MRS. THURBER: Some have been purchased since.
21 This is the balance they haven't purchased. It is now
22 1431. (?)

23 MR. HORTIG: It is individual applications. The
24 land has been conveyed to the State by the United States.

25 MR. SMITH: And those will be transferred to the
26 vacant land list and it's just a matter of placing them on

1 the vacant school land list. Advertising will be ready
2 to proceed after the usual process.

3 MR. PEIRCE: Can that be done tomorrow?

4 MR. SMITH: I think so, or next day. There is no
5 reappraisal necessary. The values heretofore established
6 stay today.

7 MR. PEIRCE: If Mrs. Thurber stays over, can she
8 make application?

9 MR. SMITH: I think we can arrange it this afternoon.

10 MR. KIRKWOOD: You have until 5 p.m. before you
11 cancel.

12 MR. HORTIG: You have to wait until 5 p.m. until
13 you can clear them.

14 MR. SMITH: That's right.

15 MRS. THURBER: I am very grateful. This is the kind
16 of cooperation we appreciate.

17 MR. PEIRCE: All right, Mrs. Thurber. It is good
18 to see you again and Mr. Smith will see you again.

19 MR. HORTIG: Only if you gentlemen vote on this
20 recommendation.

21 MR. PEIRCE: Yes. The recommendation is approved,
22 so we are all in the clear now. All right, Mr. Hortig,
23 what comes next?

24 MR. HORTIG: Page 48.... the transactions previously
25 consummated by the Executive Officer, under delegations of
26 authority, which have not been confirmed by the Commission

1 are listed and it is recommended that the Commission
2 confirm the actions of the Executive Officer thus reported.

3 MR. PEIRCE: These are all routine items.

4 MR. KIRKWOOD: So move.

5 MR. PEIRCE: All right, the recommendation is
6 approved that the Commission confirm the actions of the
7 Executive Officer thus reported.

8 Is there any other business coming before the
9 Commission?

10 MR. HORTIG: That completes the calendar.

11 MR. PEIRCE: There being no further business, the
12 meeting will stand adjourned.

13 MEETING ADJOURNED AT 11:40 A.M.

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CERTIFICATE OF REPORTER

I, LOUISE H. 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 November 12, 1957 at Sacramento, California.

Dated at Sacramento November 14, 1957.

Louise H. Lillico