TRANSCRIPT OF MEETING
of
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA -- SEPTEMBER 2, 1958, 10:00 A.M.

*******

PRESENT:

THE COMMISSION:
Messrs. T. H. Mugford, Director of Finance, Chairman
Harold J. Powers, Lieutenant Governor
Robert C. Kirkwood, Controller

STATE LANDS DIVISION:
Messrs. F. J. Hortig, Executive Officer
Fred W. Kreft, Assistant Executive Officer
Kenneth C. Smith, Supervising Land Title Examiner
Mrs. Julia T. Stahl, Secretary

ATTORNEY GENERAL'S OFFICE:
Mr. Howard Goldin

The following participated in the meeting (in order of their appearance):

Mr. Paul K. Home, Standard Oil Company
of California

Mr. Kenneth Cook, Richfield Oil Corporation

Mr. Raymond R. Kahl, Trail Ends Development Co. of Niland, California

REPORTER:
Louise H. Lillico
Division of Administrative Procedure
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MR. MUGFORD: The meeting will come to order. Do you have the agenda, Mr. Hortig?

MR. HORTIG: Yes sir. Do you need another copy?

MR. MUGFORD: Any errors, any omissions, in the minutes of the meeting July 25th?

MR. KIRKWOOD: No. Move the approval.

MR. POWERS: I'll second.

MR. MUGFORD: The minutes are approved. Do you want to consider the next meeting now?

MR. HORTIG: I suggest that be deferred dependent on convenient times as will be reflected in a later report.

MR. MUGFORD: Well. Then, do you want to proceed? Calendar Item 19, is that the next one?

MR. HORTIG: Yes sir. Page 1 of the calendar.

On July 25, 1958 the Commission postponed consideration of Parcel "B" of a series of proposed oil and gas leases in Santa Barbara County and directed the staff to arrange for re-evaluation of the bid with the bidders and the consultants, and report on this at the next meeting of the Commission, which is today. A meeting with both the State consultants and the bidders has been scheduled tentatively for early this month. Therefore, it is requested that the Commission again postpone approval on Parcel "B" of the proposed oil and gas leases in Santa Barbara County until the next meeting of the Commission.

MR. KIRKWOOD: I'll move.
MR. POWERS: Second it.

MR. MUGFORD: Unanimously adopted.

MR. HORTIG: Page 2 -- Agreement for Easement was issued to Southwest Exploration Company on September 26, 1938, which was actually the first lease issued by the State Lands Commission pursuant to competitive public bidding. This lease has actually extended over the twenty years. As it was issued, it was subject, after the twenty years, to extension at the option of the lessee. The lessee has exercised that option for its extended term.

However, the Public Resources Code, in Section 6827, now provides that the Commission may issue a new lease for a lease issued for a term of twenty years or extension thereof; that such new lease be issued on the same royalty and same terms and conditions as the terms in the lease for which it is exchanged, except that the term of such exchange lease is five years and for so long thereafter as oil and gas is produced in paying quantities or lessee shall be conducting producing, drilling, deepening, repairing, redrilling or other necessary lease or well maintenance operations on the leased land. The joint lessees have asked for a new lease in order they may have the new advantages existing in the Public Resources Code.

MR. POWERS: I'll move.

MR. KIRKWOOD: Second.

MR. MUGFORD: Unanimously approved.
MR. HORTIG: Page 3: In summary, the Commission has heretofore previously, (in 1954) approved, or given a statement of nonobjection to the hypothecation of oil and gas leases held by Monterey Oil Company as security for certain loans which they have received from various banks. It is now desired to extend the term of those loans and restatement of nonobjection by the Commission has been requested. It is recommended that such nonobjection be granted.

MR. KIRKWOOD: I'll move that.

MR. POWERS: O. K.

MR. MUGFORD: Adopted.

MR. HORTIG: Page 5: As the two members of the Commission will recall, and for the information of our Chairman, on August 16, 1955 the State Lands Commission awarded the first lease on cash bonus bids to Monterey, Seaboard and Humble Oil and Refining Company on two parcels at Huntington Beach. The cash bonus exceeded a total of some $4,600,000. Millions of additional dollars have been expended in an attempt to develop production in the areas. None of the areas have been demonstrated productive and the lessees on P.R.C. 1549 and 1550 (as reflected on page 5 and the page following) have submitted quitclaims in accordance with the lease terms; and it is recommended that the Commission accept these quitclaims and terminate the lease as of August 1, 1958 in accordance with the
terms of the lease.

MR. KIRKWOOD: Move the recommendation.

MR. POWERS: O.K.

MR. MUGFORD: The recommendations are approved in respect to both of these.

MR. HORTIG: Page 7: Routine application has been received from Stanislaus County Road Commissioner for permission to use material excavated from the channel of the San Joaquin River on bridge approaches and for roads, which may be authorized by the Commission at no royalty pursuant to the provisions of the Public Resources Code. It is recommended that the permit be authorized, limited to a maximum of 40,000 cubic yards, without payment of royalty, as authorized by Section 6303 of the Public Resources Code.

MR. POWERS: In other words, you give them this ...

MR. HORTIG: That's right, but we have it on record and know where the removal is and that it is for a county purpose.

MR. POWERS: I'll move.

MR. MUGFORD: No objection?

MR. KIRKWOOD: No.

MR. MUGFORD: Recommendation is approved.

MR. SMITH: Page 8: Sales of vacant land. I shall read the recommendation. It is recommended that the Commission authorize the sale of vacant school land for
cash at the highest offer, in accordance with the following tabulations, such sales to be subject to all statutory reservations including minerals. And there follows a tabulation of six sales, all of which are noncontroversial.

MR. POWERS: Six separate sales?

MR. KIRKWOOD: Is that second growth on the Humboldt County?

MR. SMITH: That was one parcel partially burned over in 1955 and there was action by the Commission, I believe, in May with reference to acceptance of the title from the United States.

MR. POWERS: These are all sales that you appraised, at the price you appraised it, is that right?

MR. SMITH: That's right.

MR. HORTIG: Or higher.

MR. POWERS: But none of them under the appraised value?

MR. HORTIG: No sir.

MR. KIRKWOOD: M-m-mhm.

MR. MUGFORD: Agreeable -- all members have no objections and the recommendations are approved.

MR. HORTIG: Page 34, please, which is another land sale which was added in the supplement.

MR. POWERS: 34? MR. HORTIG: Yes sir.

MR. SMITH: This is the sale of school land in San Luis Obispo County containing 48.41 acres. It is recommended
that the Commission find that 48.41 acres in San Luis Obispo County are not suitable for cultivation without artificial irrigation and authorize the sale of such land to the single applicant, Frank Fortier, at a price of $1,000, subject to all statutory reservations.

MR. POWERS: I guess that's all right.

MR. MUGFORD: Agreeable to you?

MR. KIRKWOOD: That's all right.

MR. HORTIG: Except for the time of receipt of the bills it would have been included in the group which you gentlemen have already approved.

MR. MUGFORD: All right. Recommendation is approved.

MR. HORTIG: Page 16: An Application has been received from Seismograph Service Corporation for a permit to authorize the conduct of certain calibration and control type operations in connection with geophysical operations for lessees of the State tide and submerged lands. The Fish and Game Commission have granted a six-month permit authorizing the charge of explosives for this purpose and it is recommended that the Commission authorize the permit to Seismograph Service Corporation for the conduct of velocity surveys on those tide and submerged lands in Santa Barbara and Ventura County for a six-month period, commencing September 2, 1958; that the permit be effective only as long as the permit of the Fish and Game Commission is in effect for the same area. The Counties of Santa
Barbara and Ventura have been informed that this application would be submitted and have not submitted any objection to its approval.

MR. KIRKWOOD: Move the approval.

MR. POWERS: Yes.

MR. MUGFORD: Recommendation is approved.

MR. HORTIG: Pursuant to 1957 statutes, when uninhabited tide and submerged lands are proposed to be annexed by a municipality, the State Lands Commission shall determine and fix the value of the tide and submerged lands proposed to be annexed. Pursuant to this requirement, the City of Hayward has made request, as reflected on pages 17 and 18, for a determination of the value, from the State Lands Commission, for two parcels of tide and submerged lands proposed to be annexed; and review of the location and potential utilization of these lands has not disclosed any grounds for recommending objection by the State Lands Commission to the annexation. Therefore, it is recommended that the Commission authorize the Executive Officer to notify the City Council of the City of Hayward that the present value of tide and submerged lands proposed to be annexed under the respective resolutions cited has been fixed at $49,400 and $29,400 respectively, pursuant to the provisions for such determination as specified in Section 35313.1 of the Government Code.

MR. MUGFORD: What is the effect of establishing
MR. HORTIG: The requirement is that if there be objections by the owners of more than fifty percent of the value, the annexation cannot proceed, so the valuation of tide and submerged lands and any other lands within the annexed area have to be established. In this instance, since the lands are totally tidelands, the Lands Commission would have more than fifty percent control. Actually, we have no valid basis for recommending any objection to the annexation.

MR. MUGFORD: What about the mineral rights to these lands?

MR. HORTIG: They are not affected. Title is not transferred and title remains with the State Lands Commission in this case. They would ultimately just be within the city limits of Hayward rather than just the County of Alameda.

MR. KIRKWOOD: Where does it reach down there -- to the middle of the bridge?

MR. HORTIG: As a matter of fact, with this annexation it will reach down to the San Mateo Bay Bridge, out into the water. It does not quite reach down to the bridge in the uplands, but they have extended southerly a considerable distance.

MR. KIRKWOOD: This is not reaching up or down?

MR. HORTIG: It does not extend to any reasonable
extent more along the shore than they already occupy on the upland.

MR. KIRKWOOD: O.K.

MR. MUGFORD: No objection?

MR. POWERS: No, that's all right.

MR. HORTIG: Page 19: Under the Statutes of 1957 there were granted to the City of Oakland an area of tide and submerged lands in San Francisco Bay as an addition to grant previously made in 1955. Both granted areas were required to be surveyed by the State Lands Commission at the cost of the grantees. These surveys have been completed and have been shown on a map which it is now recommended be authorized, approved and recorded -- a plat entitled "Map of the Grant to City of Oakland, Vicinity of Oakland, Alameda County, June 1958".

MR. KIRKWOOD: Move the approval.

MR. POWERS: O.K.

MR. MUGFORD: Recommendation approved.

MR. HORTIG: Page 21, gentlemen. The Commission has previously approved on a fiscal year basis a project by the City of Long Beach including subsidence remedial work designated as the "Town Lot Project" . . . .

MR. KIRKWOOD: You are skipping Mr. Kahl?

MR. HORTIG: At the moment, yes sir. . . . Subsequent to the above mentioned approval, additional unforeseen expenditures now on the horizon will be incurred by the
Harbor Department resulting from increased costs of purchase of previously approved plats of ground and from raising of oil wells to the top of new earth fills to provide fills of adjacent streets and railroads, etcetera.

It is, therefore, recommended that the Commission conditionally approve the Town Lot area project, supplemented by the items on page 22 of the calendar, as additional authorized expenditures.

MR. KIRKWOOD: This is consistent ....

MR. HORTIG: This is consistent with prior procedure of the Commission with respect to such projects.

MR. KIRKWOOD: Move it.

MR. POWERS: That's O. K.

MR. MUGFORD: Recommendation is approved.

MR. KIRKWOOD: Is that all we have on Long Beach this time?

MR. HORTIG: Yes sir. Pages 23 to 33 represent the tabulation of transactions previously consummated by the Executive Officer under delegation of authority and it is recommended that the Commission affirm these actions as reported.

MR. KIRKWOOD: That's O. K. with me.

MR. POWERS: I move the actions be affirmed.

MR. MUGFORD: The actions are affirmed, ratified, whatever is the correct term ...

MR. POWERS: I move that we affirm the actions of the Executive Officer as reported.
MR. KIRKWOOD: Second.

MR. MUGFORD: Motion is adopted.

MR. HORTIG: Page 35: In the recent issuance of four leases in Santa Barbara County easterly of Point Conception, the Commission awarded a lease to Standard Oil Company of California and Humble Oil & Refining Company as highest bidders for a specific parcel which has now been designated P.R.C. 2199. The Standard Oil Company, as operator, have submitted an application for approval of initial test well to be drilled from a mobile type drill barge located on the leased area, to be located 3800 feet seaward of the high water mark, with the provision that after testing operations it will either be plugged and abandoned or suspended or completed as a producing well on the ocean floor without placement of any projecting structure above the ocean surface.

This matter is brought before the Commission for full authorization because, whereas the application and operations proposed to be conducted are in full accord with the terms of the lease and the rules and regulations of the State Lands Commission, this is a perhaps unique combination of all those terms and conditions and is a precedent and the first time it will be attempted.

The lease provides that any final fixed platforms shall be located a mile seaward of the ordinary high water mark. The operation is proposed to be conducted from a
temporary type drilling barge less than a mile seaward, which will be ultimately removed on completion or termination of the well, and it was intended by this item to inform the Commission and anyone else having an interest in this operation just what the action is that is contemplated. There are no deviations contemplated nor will they be permitted under the terms of the lease, but inasmuch as it is a precedent and the first time this type of operation will be attempted, the matter is brought before the Commission in order that there be a resolution approving this type of program.

MR. MUGFORD: If the well develops into a producing well, then where will the structure be?

MR. HORTIG: Under the rules and regulations there can be no structure. The well can be completed under the rules and regulations on the ocean floor with the production piped on the ocean floor, so there is nothing projecting out of the water.

MR. MUGFORD: I see.

MR. POWERS: O. K.

MR. KIRKWOOD: What was the reason that they ran into trouble, then, on that first area that was put out to lease? As I understood it, with the slant drilling they couldn't get the on-shore deal or the other ....

MR. HORTIG: That is primarily a mechanical problem and with the complex geology if they could get immediately
over the area, they could possibly drill a producing well, but they can't occupy the surface of the area with a permanent structure.

MR. KIRKWOOD: Is this that area?

MR. HORTIG: No sir. This is an adjoining area in farther up the coast. This is the series of four leases issued a month ago by the State Lands Commission.

MR. KIRKWOOD: Will it affect the other area?

MR. HORTIG: It will in nowise affect that area. There is no proposal here that there be a permanent platform within a mile. The other difficulty, the only apparent solution up to now is apparently that we have a permanent platform on the area and this is precluded by the lease.

In this instance, there will only be a temporary occupancy with this mobile equipment. If it becomes mechanically feasible to make an ocean completion from a temporary barge, then the same mechanism could possibly be applied to the area you have in mind, again without either violating the lease, the rules and regulations, or the requirements of the County of Santa Barbara.

MR. KIRKWOOD: Santa Barbara is aware of this and has no objection to it?

MR. HORTIG: Of this particular operation they haven't been informed specifically but we certainly can inform them. There didn't appear to be any problem in
view of the fact that there are no proposals to deviate from the rules and regulations or the lease terms. The unique feature of this comes solely from the combination of operations which it is proposed to undertake. Core holes have been drilled from this same drilling equipment which it is proposed to be used here within a mile of the shore in Santa Barbara County without objection heretofore. The problem here is simply if it becomes mechanically feasible in the future to complete such a hole on the ocean floor as a producer without having to abandon it completely without violating the rules, then it would be proposed to take advantage of those particular circumstances on this particular operation. The reason for the barge less than a mile from shore is the fact that the water farther out to sea, where a hole might be desired to be drilled, is too deep for the capabilities of any drilling barge we have on the Pacific Coast at the present time, so we have to come closer to shore and drill out to sea from the barge.

VOICE (Unidentified): The actual penetration would be out at sea?

MR. HORTIG: It could be.

MR. KIRKWOOD: Do you think this was fully understood in Santa Barbara at the time -- that we are not going to run into a situation down there?

MR. HORTIG: I don't believe we are. Certainly we
could not state that it was fully understood by Santa
Barbara in this particular combination of circumstances.
We haven't tried this before.

MR. KIRKWOOD: Potentially, it could mean having a
barge sitting out there darn near permanently.

MR. HORTIG: For the duration of drilling one hole
for which permission is given now.

MR. KIRKWOOD: Then they could move it over and ...

MR. HORTIG: There again there is another approval
required. There again the Commission is going to take
another look at the situation. If there was a program be-
fore us of that type, for a continuous operation, it would
not be recommended. This instance is for the drilling of
one hole and there have been operations of this type, of
one hole drilled within one mile with the identical equipment,
without objection by the county. Those wells were never
completed as producing wells on the ocean floor; and,
incidentally, I do not believe it is the intention -- I
know it is not the intention of the staff and I don't be-
lieve it is the intention of the applicant, to state that
if the permission is given, they will complete the operation
on the ocean floor; but if it is mechanically feasible and
if it should be of the type to warrant the completion of a
producing well, then there would be opportunity to do it
at that time.

MR. MUGFORD: It is hard to understand why they should
go to all the expense of this exploration without knowing whether they can get the well into production.

MR. HORTIG: This, of course, is the situation with every wildcat lease. The first well they drill they hope on and they certainly have the investment in it.

If I might suggest, Mr. Chairman, representatives of Standard of California as the operator are here this morning if you would care to query them as to the specific factors.

MR. KIRKWOOD: What is the .. So far as the safety measures and so on are concerned, there is no problem here on drilling from a floating platform that would be different from any other? I mean, no greater hazard?

MR. HORTIG: No sir. For one reason I think we have to make this distinction. This floating platform is not a floating platform when it is drilling the well. It is floated into location and then, actually, piling go down and the platform actually climbs on the piling right up out of the water and sits forty feet out of the water up in the air; and it is, for all practical intents and purposes, at that time fully as stable as a fixed platform which might be installed. It is just readily placeable and readily removable, but it is mechanically solid during the time it is in operation.

MR. KIRKWOOD: (To Mr. Home) Any ground work been laid down there with Santa Barbara as far as their knowing
it is going on?

MR. HOME: We have done precisely the same thing before in our Summerland lease.

MR. KIRKWOOD: But there you were a mile off.

MR. HOME: I can't answer that.

MR. HORTIG: One of the early core holes was closer than a mile.

MR. HOME: I believe we were within a mile but I can't answer that.

MR. KIRKWOOD: The only difference here is that you would accomplish a proven well.

MR. HOME: That is right. If we can do it, we would complete production on the ocean floor providing it is feasible.

MR. KIRKWOOD: But you would conduct tests.

MR. HOME: Yes, we would, while the mobile platform is in place, to determine whether or not the well could be productive.

MR. HORTIG: Let me interrupt for a moment. Other operators have conducted other operations on mobile platforms on other leases within Santa Barbara County, haven't they? (Speaking to Mr. Cook)

MR. COOK: You are thinking of 308 and 309? I think they are all more than a mile out.

MR. HORTIG: Well, they are all immediately offshore from the University of California.
MR. KIRKWOOD: The safety and pollution problem would not be a problem?

MR. HORTIG: That is right and we have had no safety or pollution difficulty.

MR. MUGFORD: Any further questions? What is the wish of the Commission?

MR. KIRKWOOD: Move the recommendation.

MR. POWERS: I'll second that.

MR. MUGFORD: The recommendation is unanimously approved.

MR. HORTIG: Page 36, gentlemen. Pursuant to a purchase application, a field appraisal of Section 16 in Kern County has shown existence of a spring representing the principal portion of the value of the land and unauthorized diversion of water from this spring from adjoining property. The diverted water is conveyed over the State land by an unauthorized pipeline. The diverter has applied to the State Water Rights Board for authority to appropriate the water from the spring. The State Lands Division has objected to this appropriation because appropriation would devalue the State land to the detriment of the State Land Trust. The office of the Attorney General has recommended, for the protection of the State land, that an action be brought to eject the diverter of the water and enjoin his further activities on the land. Therefore, it is recommended that the Commission authorize the Executive
Officer to inform the Attorney General of the authorization
for filing a complaint for ejectment and to enjoin trespass
by Homer A. Hansen, et al on Section 16, Township 32 South,
Range 35 East, MD.B. & M. Kern County.

MR. KIRKWOOD: I don't see we have any alternative.

MR. HORTIG: I don't believe we do.

MR. MUGFORD: Apparently not.

MR. HORTIG: Again a unique situation because we
have so few springs on our desert lands.

MR. KIRKWOOD: In other words, if we are going to
realize anything on the water we have to do that.

MR. HORTIG: If we are going to realize anything on
the land we have to retain the spring.

MR. POWERS: That's all right.

MR. MUGFORD: Recommendation approved.

MR. HORTIG: Page 20, gentlemen. A letter dated
August 13, 1958 has been received from Mr. Raymond R. Kahl,
who is present today representing the Trail Ends Development
Company, briefing land exchange application contentions
originally contained in a letter of August 29, 1957 and
certain other recitations from a written presentation
relative to procedures which was made by Mr. Kahl to the
Commission at its meeting of September 13, 1957. Mr. Kahl
has requested the opportunity to again discuss with the Com-
mission the previous submittals and those contained in his
letter of August 13, 1958 relative to his contentions that
the Commission should accept and process a land exchange application at variance with the established policies of and the rules and regulations of the Commission.

Presentation by Mr. Kahl on September 13, 1957 was referred to the office of the Attorney General for review. The conclusion from this review was, and I quote: "For failure to follow the prescribed rules and regulations of the State Lands Commission, it is our opinion that no valid exchange application from Mr. Kahl is now pending before the State Lands Commission."

Mr. Kahl has requested that the Commission re-refer his statement and briefs to the office of the Attorney General for reconsideration on the contention that the staff of the State Lands Division and the office of the Attorney General did not understand the presentation of September 13, 1957.

It is recommended that the Commission authorize the Executive Officer to refer to the office of the Attorney General for final review written presentations by Mr. R. R. Kahl relating to a purported land application on behalf of the Trail Ends Development Company. The review is to report specifically as to any bases for further consideration by the Commission of the purported application.

MR. MUGFORD: Any questions?

MR. HORTIG: Mr. Kahl is here.

MR. MUGFORD: Does Mr. Kahl want ...
MR. KIRKWOOD: Is there any need to supplement what you have got in writing, Ray?

MR. KAHL: No. The only thing, the attorneys for the Trail Ends Development Company want to submit a brief on the matter. At the time, you will remember, Mr. Kirkwood, I was citing law to you but I am not familiar with it. At that time the Attorney General did not, in his opinion, cover the points of law that the Commission wanted to know about a year ago. All we want to do -- Trail Ends Corporation wants their day in court. They are willing to stand on and submit their brief to the office of the Attorney General and are willing to abide by ....

MR. KIRKWOOD: Is this your letter of September 13th, or is this a brief to be subsequently submitted?

MR. KAHL: No, they will submit the brief afterwards. They have part of it ready.

MR. KIRKWOOD: So what this recommendation is, is that upon receipt of the brief that then you will submit it and the other written material which Mr. Kahl has heretofore furnished to the Attorney General for the purpose set out here.

MR. HORTIG: That would be a correct modification, to comply with the timing as it now exists.

MR. KIRKWOOD: I so move.

MR. POWERS: I think that's the answer. I'll second it.
MR. MUGFORD: The recommendation, then, is unanimously approved. You will give us information as to the next meeting...

MR. HORTIG: We will inquire of you gentlemen, as soon as we know the results of staff review on Parcel "B".

MR. MUGFORD: Any further business for this meeting? (No response) Then if not, the meeting is adjourned until the next meeting at the call of the Chair, after consultation with the members.

ADJOURNED 10:45 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 twenty-two pages contain a full, true and correct transcript of the shorthand notes taken by me at the meeting of the STATE LANDS COMMISSION at Sacramento, California, on September 2, 1958.


Louise H. Lillico