TRANSCRIPT OF MEETING
of
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA - OCTOBER 14, 1958 - 10:00 A.M.

PARTICIPANTS:

THE COMMISSION:
MESSRS. T. H. MUGFORD, Chairman
HAROLD J. POWERS
ROBERT C. KIRKWOOD

STATE LANDS DIVISION:
MESSRS: F. J. HORTIG, EXECUTIVE OFFICER
FRED KREFT, ASSISTANT EXECUTIVE OFFICER
MRS. JUDY STAHL, SECRETARY

OFFICE OF THE ATTORNEY GENERAL:
MR. HOWARD S. GOLDIN
MISS MIRIAM E. WOLFF

CONSULTANT:
MR. J. M. WANENMACHER of Keplinger & Wanenmacher

APPEARANCE:
MR. HAROLD A. LINGLE, Attorney, City of Long Beach

REPORTER:
Louise H. Lillico
Division of Administrative Procedure
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DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
MR. MUGFORD: The Lands Commission will be in order. First item on the agenda is the minutes of the meeting of September 2nd.

GOV. POWERS: I move the approval of the minutes.

MR. KIRKWOOD: Second.

MR. MUGFORD: All in favor? ("Aye") Minutes are approved. Do you want to take up at this time the time of the next meeting?

MR. HORTIG: We are not aware of any necessity for a specific date.

GOV. POWERS: Make it over three weeks. I don't care when after that.

MR. MUGFORD: All right. Mr. Hortig, do you want to take up the next item?

MR. HORTIG: Yes sir. Mr. Chairman, in consideration of the numerous personal appearances today in connection with a series of items we have on the agenda, would it be appropriate to consider these items first, out of order of the formal agenda and consider last those items on which there will be no personal appearances?

MR. MUGFORD: Any objection?

MESSRS. POWERS and KIRKWOOD: No.

MR. MUGFORD: O. K.

MR. HORTIG: That being the case, I suggest we start on page 1. On June 27, 1958, three bids were received in response to a published Notice of Intention of
the State Lands Commission to receive offers to enter into a lease for the extraction of oil and gas from 3,840 acres of tide and submerged lands designated as Parcel "B" in Santa Barbara County. The office of the Attorney General has reviewed the high bid submitted by Standard Oil Company of California and Humble Oil & Refining Company and has determined that the bid submittal is in compliance with all specified bid conditions. A summary tabulation of bonus offers received pursuant to the lease proposal is attached.

The Commission has heretofore twice directed deferment and further consideration of the bid proposal and on September 8, 1958 a conference attended by the joint bidders' representatives, by the State's consultants, and by a representative of the staff was held in Tulsa, Oklahoma. At this conference the joint bidders presented summaries of exploration data for the area proposed for lease in Santa Barbara County.

Factors developed in this review follow in a composite summary:

(1) There has been industry-wide seismic reconnaissance of the area for the last ten years, as well as exploration by dart and jet coring;

(2) Five deep core holes were drilled in the subject area under permit by two operators. The small number of holes drilled on Parcel "B" can be considered to indicate that private analyses of the seismic exploration data did
not warrant the expenditure of the large sums necessary
for more core drilling operations in the area;

(3) The tract offered is less favorable geologically
for the production of oil, based upon present data, than
any of the other adjoining tracts offered;

(4) The bid offer received is a reasonable offer
based on known information at this time;

(5) Rejection of the bid for Parcel "B" and future
re-offer for lease could result in a higher return. How-
ever, this result cannot be warranted and withholding the
area for future re-offer would be based on business specu-
lation normal to the oil industry on the theory that pros-
pectively the State has at least an even chance of getting
as much, or more, bonus at some future time.

In the event that substantial production were to be
developed in the area included in Parcel "B", the royalty
basis specified in the lease would provide for equitable
return on all oil and gas produced.

Therefore, it is recommended that, in accordance
with the provisions of Division 6 of the Public Resources
Code, the Commission authorize the Executive Officer to
issue an oil and gas lease to Standard Oil Company of Cali-
ifornia and Humble Oil & Refining Company, joint bidders,
who submitted the highest qualified bid for the 3840-acre
parcel of tide and submerged lands designated as Parcel "B"
in Santa Barbara County, as detailed in the Notice of
Intention under Work Order 2718(b) published April 28 and May 5, 1958, the cash bonus payment in consideration of issuance of the lease to be $770,837.70 as offered in the joint bid.

The award of lease is to be subject to the designation by the joint bidders of a lease operator, to be fully responsible for performance under the terms of the lease to be issued.

For the information of the Commission, the Commission's consultant, Mr. Wanenmacher, is here this morning, and representatives of Standard Oil Company of California and Humble Oil & Refining Company.

MR. MUGFORD: Mr. Wanenmacher, would you wish to elaborate on this matter?

MR. WANENMACHER: I would like to say that the consultants at first were reluctant to accept this bid. I think it was because so much higher bids were offered at the time on the other tracts; and now that a few months have passed by, I think you tend to forget those high bids and analyze this tract on its own merits. The more we found out about this particular parcel, the less attractive it became. In other words, the possibilities of finding oil are much less than we had formerly believed.

I would like to call attention to the fact that this is $200 an acre and that $200 an acre is a sizable sum. I have before me a clipping from "Petroleum Week"
October 10th, giving the results of a University of Texas lease. On September 30th, 4,444 acres in West Texas were sold at a price of $515,200. The average price is $116 an acre. Those leases don’t carry a sliding scale that goes up like these do and furthermore most of them do not carry drilling commitments.

Now, on September 29 there were sales of Oklahoma school lands -- 6,707 acres brought $102,800 or, roughly, $15 an acre. South Dakota September 24th -- there was a sale of land -- doesn’t give the final results, but the highest bid was $17.64 an acre.

Now, when we isolate this case of Parcel "B" and when we think about it alone and forget the enormous sums received for the other tracts, I believe that the offer of Standard Oil Company of California and Humble is a very good offer and I do not recommend .... Let's put it this way: I recommend that it be accepted, because I am afraid if we wait all cash bonuses will be much lower.

Now, the cash bonuses on the Gulf Coast tidelands all started out high. Those tidelands were leased in larger blocks and smaller royalties, frequently without drilling obligations. They have averaged $200 an acre or slightly less and the general consensus of opinion of the operators is that very few of the tracts will make money and there is the .. Let's put it this way, that the present prices paid or offers are much less than they were
originally. Now, I am afraid that perhaps that same condition will be paralleled in your case here. In other words, the first bids will be the high ones and five years from now that the bids will be much lower. So I and my partner and Mr. Kaveler, the other consultant, recommend that this bid be accepted.

MR. MUGFORD: Thank you, Mr. Wanenmacher. Do you want to hear from representatives of the Standard Oil Company . . .

MR. KIRKWOOD: I'd like to ask Mr. Wanenmacher a couple of questions. You and Mr. Kaveler have been in discussion on this since the meeting of September 8th, is that it?

MR. WANENMACHER: Yes sir.

MR. KIRKWOOD: And your letters to us of September 11th and . . .

MR. WANENMACHER: Just previous to my visit out here, we met with Mr. Kaveler.

MR. KIRKWOOD: M-m-mhm. So that now the two of you are both in agreement with the recommendation of the staff?

MR. WANENMACHER: Yes sir.

GOV. POWERS: Well, I have the letters they wrote us. I move we accept the recommendation at this time.

MR. KIRKWOOD: Well, I can't help feeling that -- at least my reaction was that we hired the consultants to advise us on the basis that they were more expert than we
and if they are in agreement with our staff, I would feel we were second-guessing on this -- so I would second it.

MR. MUGFORD: It has been moved and seconded that it be accepted. All in favor? Unanimously adopted.

MR. HORTIG: Page 4, gentlemen. The Commission has previously authorized a grant of deferment of drilling and operating requirements to Monterey Oil Company in the operations under the single lease held in Belmont Offshore Field to permit certain construction work to be undertaken precedent to initiating water injection operations. Due to unforeseen difficulties encountered in developing engineering plans and delays in delivery of equipment, the construction operations have fallen behind schedule. A request has been received from Monterey Oil Company for a further deferment of drilling requirements until March 15, 1959, and the grant of this deferment is recommended by the staff.

MR. KIRKWOOD: I move it.

GOV. POWERS: O. K.

MR. MUGFORD: It is unanimously adopted.

MR. HORTIG: Page 5 -- State Oil and Gas Lease P.R.C. 410 was issued in extension of former State Oil and Gas Lease P.R.C. 52, originally issued under the provisions of Chapter 303 of the Statutes of 1921. P.R.C. 410 provides for an operating period of ten years and then consideration for renewal. An application has been received from Richfield Oil Corporation for renewal of this lease and requesting
that, in accordance with the current provisions of the
Public Resources Code, an exchange lease be issued as
authorized, in order to assure sufficient operating period
to permit the operator to recoup additional capital, which
they intend to invest in terms of rehabilitation of the
operating works on the lease, as well as drilling new wells.

Therefore, it is recommended that the Commission
authorize the Executive Officer to issue a new lease in
exchange for Oil and Gas Lease Extension and Renewal P.R.C.
410 in accordance with the provisions of Section 6827 of
the Public Resources Code, as requested by the Richfield
Oil Corporation. The new lease is to be for a term of five
years and for so long thereafter as oil or gas is produced
in paying quantities or lessee shall be conducting produc-
ing, drilling, deepening, repairing, redrilling or other
necessary lease or well maintenance operations on the leased
land. The new lease is to be issued at the same royalty
and upon the same terms and conditions as Lease P.R.C. 410
for which it is to be exchanged. (Parenthetically, the
language of the resolution is the language of the authoriz-
ing statute.)

GOV. POWERS: I move it.

MR. KIRKWOOD: Second.

MR. MUGFORD: Recommendation unanimously adopted.

MR. HORTIG: Page 6, we have a completely analogous
situation to that just considered by you gentlemen, in that
Monterey Oil Company and Suniland Oil Corporation, as holders of a former agreement for easement at Huntington Beach which was issued for an original term of twenty years with option to renew, have also requested that pursuant to Section 6827 of the Public Resources Code a new exchange lease be granted in order to permit continued operations from the existing one oil well which has been drilled, which one oil well was the total number of wells authorized under the original easement agreement; and it is recommended that an exchange lease be issued.

MR. MUGFORD: Agreeable?

GOV. POWERS: I move.

MR. KIRKWOOD: Second.

MR. MUGFORD: The recommendation is adopted.

MR. HORTIG: And even more analogous, if I haven't scrambled the language, is the item on page 7, whereunder Monterey and Suniland again, as holders of another single well agreement for easement issued the same date of the preceding item, also request the issuance of an exchange lease ...

MR. KIRKWOOD: Move it.

MR. MUGFORD: All right with you?

GOV. POWERS: Yes.

MR. MUGFORD: That's adopted.

MR. HORTIG: Page 8 -- continuing in the same vein -- State Oil and Gas Lease P.R.C. 308, which was issued pursuant
to competitive bidding in 1947 for a term of twenty years: The present lessees, and the designated operator, Richfield Oil Corporation, are requesting the advantages of a new exchange lease issued pursuant to Section 6827 of the Public Resources Code, again to justify continued exploration expenditures.

MR. KIRKWOOD: Does this require drilling, or what is the setup on this?

MR. HORTIG: Drilling is required under all of these leases until there have been drilled the specified number of wells per acre leased. There has been drilling but no production on this or the one following which you are going to consider; but with only nine years to go, the undertaking of an extensive exploration program appeared to be too risky to the present lessees except under the broader and more effective operating provisions of an exchange lease issued with the current provisions of the Public Resources Code.

MR. KIRKWOOD: You mean they are getting more in the way of lease terms than they would otherwise?

MR. HORTIG: Yes sir.

MR. KIRKWOOD: What is the royalty rate on this?

MR. HORTIG: It is a sliding scale royalty and the bid factor, if I recall, was on the basis of 1. In other words, the basic royalty schedule used at that time. It was a good ....
MR. KIRKWOOD: O. K.

MR. MUGFORD: Agreeable to you?

GOV. POWERS: Yes.

MR. MUGFORD: Adopted.

MR. HORTIG: Identical situation follows on page 9 for the lease adjoining the one that you just considered.

GOV. POWERS: It is identical?

MR. HORTIG: Geographically -- same lessees, same operating conditions ... 

GOV. POWERS: Same.

MR. MUGFORD: Same action?

MR. KIRKWOOD: Yes. GOV. POWERS: O. K.

MR. MUGFORD: Same action.

MR. HORTIG: If you gentlemen will refer to page 46, please ...

GOV. POWERS: 46?

MR. MUGFORD: Yes sir. The Commission has heretofore approved, pursuant to Chapter 29, expenditures by the City of Long Beach, including costs of subsidence remedial work, for projects which have been approved on a fiscal year basis which are titled "Pier A", "Pier B", "Back Areas - Piers A to D" and "Roads and Streets". Subsequent to these approvals, it has developed that additional costs will have to be disbursed by the Harbor Department and these projects have received initial staff review and are considered to include some subsidence costs as defined in Chapter 29; and,
therefore, it is recommended that the Commission approve such costs proposed by the City of Long Beach, including subsidence remedial work as indicated on Exhibit A attached, subject to the standard reservations by the Commission.

   MR. KIRKWOOD: Approved.

   MR. MUGFORD: Agreeable with you, Governor Powers?

   GOV. POWERS: Yes.

   MR. MUGFORD: Recommendation is approved.

   MR. HORTIG: Page 51 -- An analogous situation -- Pier D Area project, previously approved by the Commission on a fiscal year basis; but in order to obtain prior approval of subsidence costs for continuing work and new work on the Pier D project, the City of Long Beach through the Port of Long Beach has presented this for approval.

   MR. KIRKWOOD: What is this?

   MR. HORTIG: An additional project -- page 51, sir. Again, this has received initial staff review and is recommended for approval by the Commission -- all such costs subject to the standard reservations by the Commission, for final review and audit after the project is completed.

   MR. KIRKWOOD: O. K.

   MR. MUGFORD: Item is approved?

   GOV. POWERS: Yes, that's all right.

   MR. HORTIG: Page 53.

   MR. KIRKWOOD: Same sort of thing?

   MR. HORTIG: Identical situation, except this relates
to the Town Lot Area project.

MR. KIRKWOOD: M-m-mhm.

MR. MUGFORD: Same action?

GOV. POWERS: Same.

MR. HORTIG: 55 ... I am sorry, not 55 -- into the supplemental calendar, page 76. The Commission -- at least two members of the Commission will recall having participated in the approval to the City of Long Beach to conduct expanded water flooding operations subject to maximum limitation of four million dollars on expenditures. An additional program to be carried on under that authorization has been presented by the City of Long Beach, entitled "Cooperative Agreement - Fault Block III (Tar and Ranger Zones" in the Wilmington Field. This program does not contemplate the expenditure of any additional funds or being outside the scope of the project already authorized by the Commission. However, by reason of adoption of Section 6879 of the Public Resources Code at the last session of the Legislature -- and, incidentally, subsequent to the original approval by the Commission of this project -- any unitization or cooperative agreement on similar types of operations to be undertaken by the City on tide and submerged lands are subject to approval by the State Lands Commission and if the State Lands Commission finds that said agreement provides properly and that entering into performance of such agreement is in the public interest, then the State Lands Commission
may approve such agreement on behalf of the State.

The question was raised with the office of the Attorney General as to the propriety and authority of the Commission to continue with approvals of projects and proceeding under Chapter 29, as to whether that was in any way influenced by the pending litigation, United States vs. Anchor Oil Corporation; and I have this morning received verbally from the office of the Attorney General the statement that the office of the Attorney General feels that if technically proper and the program can be recommended by the staff as to the engineering facilities, that the Commission is authorized, and in conformance with the program the Governor has directed for proceeding under State law on any operations of this type, the Commission may approve this specific project.

Therefore, in view of the late receipt of the clarifying statement as to the legal position, I should like to amplify the item on page 76 and request that the Commission find that the project is in the public interest and that the Commission authorize the Executive Officer to inform the City of Long Beach that pursuant to statute the project has been approved by the State Lands Commission.

MR. MUGFORD: We would be in an incongruous sort of position if we didn't make this answer.

MR. HORTIG: Yes, we would be advocating maximum State action on the one hand and withholding the ability to
take action on the other.

   MR. KIRKWOOD: All right.

   GOV. POWERS: There's nothing much else to do.

   MR. HORTIG: If I may amplify the recommendation, our counsel points out that pursuant to Public Resources Code Section 6879 the City (this is Long Beach) cannot enter into the cooperative agreement herein considered unless the City first determines, pursuant to the Public Resources Code, that the project is in the interest of increasing the ultimate recovery of oil or gas from such lands, or the protection of oil and gas in said lands from unreasonable waste, or that the subsidence or sinking of such lands or abutting lands may be arrested or ameliorated thereby; and it would appear that a resolution to this effect should be adopted by the City Council.

   Therefore, I would wish to amplify the recommendation to the Commission, that the Commission's approval is conditioned on the requisite finding being made and filed by the City Council of Long Beach.

   MR. MUGFORD: It has been moved and seconded that the recommendation be adopted.

   MR. KIRKWOOD: The specific form of the recommendation will be worked out by you and the A. G.'s office?

   MR. HORTIG: Yes sir.

   MR. MUGFORD: The recommendation is unanimously adopted.
MR. HORTIG: Page 76, gentlemen -- which is, again, informative and principally ....

MR. KIRKWOOD: 77 or 78?

MR. HORTIG: 78, please ... is presented to the Commission to alert the Commission to the fact that in accordance with, or at least concurrently with and certainly compatible with the Governor's directive for maximum activity under State law, there are extensive practical actions being undertaken by the City of Long Beach and the Long Beach Harbor Department; and the project referred to here, which is again an additional and further expanded water flooding project, will again come before the Commission after the engineering is completed and will require approval, pursuant to Chapter 29, in that the costs of the project are generally estimated to be about five million dollars. This program could be even a larger and more effective one than the Commission has approved previously. This matter is presented simply to apprise the Commission of the fact that operations are not at a standstill in Long Beach.

MR. MUGFORD: Any questions? (No response)

MR. HORTIG: That covers the City of Long Beach.

MR. KIRKWOOD: What about this resolution?

MR. HORTIG: This will be undertaken later. Presentation will be made by the office of the Attorney General at the end of the agenda.

MR. KIRKWOOD: You mean this morning?
MR. HORTIG: Yes.

MR. KIRKWOOD: Why isn't it tied into these?

MR. HORTIG: We can, if you so wish, Mr. Kirkwood. The resolution, copy of which you gentlemen have before you, was not received by the State Lands Division in time to incorporate in either the regular or the supplemental agenda for the State Lands Commission and has actually been carried in here this morning by the representative of the office of the Attorney General. The staff have no objection from any of the technical standpoints which are under their cognizance, but in view of the manner of receipt of this resolution, if the Commission would prefer to have the Attorney General's representative present the desired resolution and the reasons for presenting it in this manner and at this time ....

MR. MUGFORD: Very well. Mr. Goldin.

MR. GOLDIN: Mr. Chairman and Commissioners, on a prior occasion the State Lands Commission and representatives of the Attorney General's office discussed the issuance of a resolution of policy by this Commission in connection with the case of United States vs. Anchor Oil Corporation and others. This is the Long Beach Naval Shipyard subsidence litigation now pending in the United States District Court. The Governor and the Attorney General already have issued a joint policy statement in the form of a press release with reference to land subsidence in the Long Beach

*See Page 22 for copy of resolution and press release
area and the position of the State of California in U. S. vs. Anchor. That joint policy statement was issued after consultation with the Governor and his staff by the Chairman and Executive Officer of this Commission, together with representatives of the Attorney General's office.

At the time of its release, it was represented that the Governor's policy statement would be presented to the State Lands Commission at a subsequent early meeting. Consequently, a resolution has been prepared for consideration of the Commission at this time and it is respectfully recommended by the Attorney General's office and by the Commission's own staff that such resolution be adopted by this body today.

For the convenience of the State Lands Commission, I have distributed copies of both the resolution and the previously mentioned joint policy statement of the Governor and the Attorney General.

Succinctly, in the resolution the State Lands Commission expresses its concurrence in the joint policy statement of the Governor and the Attorney General of this State. The Commission also authorizes and requests the Attorney General of California to defend the Commission's interests in the case of U. S. vs. Anchor Oil Corporation; and, finally, instructs its staff to provide the Attorney General with technical assistance and advice necessary or appropriate for the presentation of the State's position
in that law suit; and we consequently request adoption of
that resolution if it meets with this body's approval.

MR. KIRKWOOD: What is the status of this thing?
Is the Attorney General satisfied with the progress that
is being made? I mean, we have had these other two items
up on the water flooding program. What about the specifics
of the action under the State law? Is that moving along at
the greatest possible speed?

MR. GOLDEN: To the best of our knowledge it is, sir.
We have been furnished with a comprehensive technical report
by your own staff. We have attended numerous conferences
with the representatives of the private operators and the
City of Long Beach and have received information as to the
status of the various repressuring plans now being formu-
lated. It has been anticipated that within a very short
time a minimum of two such plans will be filed with the Oil
and Gas Supervisor and we are hopeful that in the very near
future we will have on file plans for each of the fault
blocks.

MR. KIRKWOOD: What is the status now of the action
that they were granted by the court?

MR. GOLDEN: Hearing on the Government's motion for
preliminary injunction has been continued to January 12,
1959. The time for the State and for the other defendants
to file its answer has been set as December 31. I also
believe that December 15 has been the time set by the Federal
Court for the filing of all points and authorities and affidavits by the various defendants. Lastly, the date of October 20 has been set by the same court as the deadline for the filing of motions with reference to the complaint, in the nature of motions to dismiss under the jurisdiction of the Federal court -- which motions it is indicated will be heard November 17, 1958. At present, the Attorney General's office does not contemplate filing anything.

MR. KIRKWOOD: What is the reason for that? Why wouldn't it be consistent with this policy statement for some motion to be filed?

MR. GOLDIN: I think for the reason, Mr. Kirkwood, that the complaint seeks damages of an indefinable amount and with respect to damages we don't believe any motion to dismiss will be well taken.

MR. KIRKWOOD: I hadn't seen this statement until this morning actually, and I am not too familiar with it, but doesn't this talk in terms of the Federal jurisdiction as against State jurisdiction?

MR. GOLDIN: Yes.

MR. KIRKWOOD: If no motion is filed at this time your ability to challenge Federal jurisdiction isn't bypassed?

MR. GOLDIN: No. We do not believe that you ever waive any challenge with respect to jurisdiction.

MR. KIRKWOOD: It seems to me that what we are seeking, at least as I understand it, is the speediest possible
cessation of subsidence in this area, starting to get us on a firm foundation there; and as long as we are moving in that direction certainly one feels that the State should move in this situation rather than the Federal Government. I would heartily concur in it and I don't feel under any circumstances there would be anything possible that would prevent us from moving with the greatest speed possible. So I move the approval.

GOV. POWERS: We have accelerated our program.

MR. MUGFORD: This contemplates the greatest possible reliance upon the State law in this regard?

MR. GOLDIN: That is correct, sir.

GOV. POWERS: That's all right.

MR. MUGFORD: Agreeable with you, Governor Powers?

GOV. POWERS: Yes.

MR. MUGFORD: It has been regularly moved and seconded the resolution be adopted. All in favor? ("Aye") The resolution is adopted.

MR. KIRKWOOD: The resolution is agreeable to the City of Long Beach?

MR. LINGLE: Yes, it certainly is, members of the Commission. I might point out that the action you took this morning will permit us to start injecting water in the most critical areas in the subsidence bowl and directly under the Naval Base; so you are acting so that all of us can proceed as rapidly as possible.
FOLLOWING IS COPY OF RESOLUTION AND PRESS RELEASE DISCUSSED AT PAGE 17 ET SEQ. ........

WHEREAS the United States has recently filed a civil action entitled "United States of America, Plaintiff, v. Anchor Oil Corp., et al., Defendants, No. 800-58, HW-Civil" in the United States District Court for the Southern District of California naming as defendants numerous private companies engaged in the production of oil and gas in the Wilmington Oil Field as well as the State of California and the City of Long Beach; and

WHEREAS in said action the United States seeks injunctive relief by way of mandatory field-wide water repressurization of the Wilmington Oil Field, on pain of shutting down the field, as well as money damages, on account of the subsidence of the United States Naval Shipyard at Long Beach; and

WHEREAS, although the State Lands Commission is not itself named as a defendant in said suit, by virtue of Chapter 29, Statutes First Extraordinary Session 1956, this Commission has general responsibility in connection with the interests of the State of California in and to the tide and submerged lands held by the City of Long Beach as trustee for the State, said tide and submerged lands comprising a substantial portion of said Wilmington Oil Field; and

WHEREAS on September 19, 1958, Honorable Goodwin J. Knight, Governor of California, and Honorable Edmund G. Brown, Attorney General of California, issued a joint policy statement with reference to land subsidence in the Long Beach area and with further reference to the position of the State in said action of United States of America v. Anchor Oil Corporation, which policy statement was in the form of a press release, copy of which is attached to and made a part of this resolution as Exhibit A hereto;

NOW, THEREFORE, the State Lands Commission:

(1) Expresses its concurrence in the said policy statement of the Governor and the Attorney General of California;

(2) Authorizes and requests the Attorney General of California to represent and defend the Commission's interests in said case of United States v. Anchor Oil Corporation; and

(3) Instructs its staff to provide the Attorney
General with technical assistance and advice necessary or appropriate for the presentation and defense of the State's position in said lawsuit.

***********

**EXHIBIT A**

PRESS RELEASE
Governor Goodwin J. Knight
September 19, 1958

Governor Goodwin J. Knight and Attorney General Edmund G. Brown in consultation with representatives of the State Lands Commission, today announced an agreed policy for the State's executive branch regarding the Long Beach subsidence problem. The statement was issued with particular emphasis on the recent lawsuit filed by the federal government as a result of sinkage of the United States Naval shipyard at Long Beach.

In their joint statement the Governor and the Attorney General said: "Subsidence in the Long Beach coastal area is a matter of the gravest concern to the state government. The safety of the area's inhabitants and the future of its economic life far outweigh all other considerations. Qualified engineers believe that large-scale water repressuring of the underground is the only hope for arresting the land sinkage. It is vital that this program be accomplished as soon as possible.

"Earlier this year the Legislature adopted a subsidence control law. This law provides the procedures and financial means for repressuring the Wilmington Oil Field, either by voluntary action of the oil operators or by compulsory orders of the State Oil and Gas Supervisor. Months ago the City of Long Beach and the major oil producers in the field commenced the arduous, complex task of engineering the water injection program. Simultaneously there has been a great acceleration of actual water injection. During the past year the rate of actual water injection under voluntary programs has increased 225%.

"A few weeks ago the situation was greatly complicated by a lawsuit filed by the federal Department of Justice on account of the sinkage of the United States Naval shipyard at Long Beach. In this lawsuit, over 300 California oil companies, as well as the City of Long Beach and the State itself, are named as defendants. By this action, the government seeks repressurization of the Wilmington Oil Field under the exclusive control of the
federal courts plus damages running to unspecified millions of dollars.

"It is difficult to understand how or why water pressuring under a federal court order offers a better or more effective method of attack than that provided by state law. The majority of the oil operators are proceeding at full speed to get the state program under way. The State Oil and Gas Supervisor has already commenced the necessary proceedings. There is no reason to discard all the progress to date under the state law. There is no reason to replace state authority by federal court edicts. Furthermore, the State Oil and Gas Supervisor is far better qualified than any court to supervise the highly technical water injection arrangements. This is essentially a state problem, and the State's executive branch will insist on following the program and the policies laid down by the California legislature.

"Members of Attorney General Brown's staff, with his personal approval, have recommended that the State insist on going ahead under state law rather than under the injunctive power of the federal court, and that the federal court should not attempt to step into the matter until the state law has had a chance to work. The Attorney General has expressed the view that if the federal court is to control anybody at all, it might well be those few oil operators who fail to cooperate in the state-sponsored program. The fact seems to be that every major oil producer in the Wilmington field has committed itself to wholehearted cooperation under the state law.

"The Governor has accepted Attorney General Brown's recommendations as to the State's position in the federal lawsuit. The State is just as anxious as the federal authorities to halt further sinkage of the Naval shipyard. It does not agree with the federal authorities' evident desire to displace state law by federal court orders. The State's cooperation will be best expressed by the implementation of the program laid down by the State Legislature. If, contrary to all expectations, oil producers do not accomplish adequate results under state law, the Governor and Attorney General will then review the State's position in the litigation and will, if necessary, seek changes in the state law."

Governor Knight also announced that, in line with the above statement, he had instructed the State Oil and Gas Supervisor and the State Director of Finance to do everything possible to expedite effective operation of the subsidence measures provided by state law.
Participants in consultations with the Governor and his staff were T. H. Mugford, State Director of Finance, F. J. Hortig, Executive Officer of the State Lands Commission, Assistant Attorney General Leonard M. Friedman and Deputy Attorney General Howard Goldin. Mugford, who is Chairman of the State Lands Commission, indicated that the Governor's policy statement would be presented to the State Lands Commission at an early meeting of that body.
MR. MUGFORD: Next matter?

MR. HORTIG: If the gentlemen will refer to pages 10 to 19 of the regular calendar, these refer to the assignment of partial interests in two leases issued recently by the Lands Commission to Mr. Edwin W. Pauley and others, and for an assortment of reasons it has either been required or become desirable to assign partial interests in these leases. In one instance, as in the case of the Union Oil and Gas Corporation of Louisiana, there was a conflict in name which was felt to be undesirable by the Secretary of State and the Commissioner of Corporations, and the partial interest, therefore, is being assigned to another corporate entity, unless there be confusion, I assume, with Union Oil Company of California; and the balance of the partial assignments are proposed by the Pauley interests as a matter of expediting some of their own business requirements.

They have all been reviewed, the qualifications of the assignees have been determined to be equal to those of the assignors, and, therefore, for the group of items appearing on calendar pages 10 through 19 it is recommended that the Commission authorize the Executive Officer to approve the assignment of the partial interests in the named leases, either P.R.C. 2205 or 2207.1, from the named assignors to the named assignees; that the assignee be bound by terms of the lease to the same extent as the original lessee.
MR. KIRKWOOD: These have been reviewed by the A. G.'s office?

MR. HORTIG: Yes sir.

MR. KIRKWOOD: I'd move it.

GOV. POWERS: I guess that's all in order. I'll second.

MR. MUGFORD: The recommendations are approved -- pages 10 through 19.

MR. HORTIG: Now, if you gentlemen will refer to pages 72 to 75 of the supplemental calendar, we have further partial assignments affecting the same leases which, again, have been reviewed and are recommended -- with, however, a series of conditions included in the recommendation due primarily to the date of receipt of these applications. The requisite -- the full requisite documents have not been received by the State and it is felt, therefore, that the Commission's authorization should be subject to receipt of these documents. Therefore, again, for the items -- both items on pages 72 and 73 relating to Lease P.R.C. 2205.1 and on pages 74 and 75 relating to Lease P.R.C. 2207.1, it is recommended that the Commission authorize the Executive Officer to approve the assignment of the partial interests in State Oil and Gas Leases as designated from the designated assignors to the designated assignees, subject to the following:

(1) Submission of evidence of qualifications by the
designated assignees to hold leases;

(2) Submission of proper bond by the joint-venture assignees;

(3) Submission of proper evidence of authority of the president of the respective companies assigning to assign their interests in the designated interests;

and an item (4) which does not appear on your agenda -- a similar submission of proper evidence of authority by the assignees to accept the assignment of the designated leases;

and, finally, subject to the joint venture assignees being bound by the terms and conditions of the leases to the same extent as the original lessees.

MR. KIRKWOOD: These conditions, in effect, would put these in the same situation we approved in Items 10 to 19. (sic) (Pages 10 to 19)

MR. HORTIG: Yes sir.

MR. KIRKWOOD: I'd move the approval.

GOV. POWERS: Yes.

MR. MUGFORD: The recommendations are adopted.

MR. HORTIG: Mr. Chairman, as far as I am aware at the moment, I believe the Commission has considered all items on which there was to be a personal appearance this morning. I wonder if you would wish to inquire whether there is anyone else here desiring to make a presentation to the Commission before we take up the purely routine agenda.
MISS WOLFF: Do you want to take up this Southern Pacific matter?

MR. HORTIG: That's another matter, Miss Wolff, that is within our own office. Page 20 -- Normal routine item in the sense that there is specific statutory authorization for the Commission to grant to a public agency permission to use materials from State tide and submerged lands on a public project. Application to use excavated material has been received from the Yol. County Road Commissioner, the material to be extracted from the Sacramento River under a permit from the U. S. Corps of Engineers insofar as navigation interests are concerned.

Therefore, it is recommended that the Executive Officer be authorized to issue to the Yolo County Road Commissioner a permit, subject to the issuance of a permit approved by the Corps of Engineers, without payment of royalty, the permit to limit the excavated material in the maximum specified amount.

GOV. POWERS: That's O. K.

MR. MUGFORD: Approved.

MR. HORTIG: Page 21. Our Public Lands Officer, Mr. Chairman, is on vacation hunting deer but I don't believe on vacant State school land. All the land sales items on the current agenda are again standard, in that there is no controversy; the high bids received for the sales of all of the parcels, as follow on pages 21 through
35, are all equal to or greater than the appraised prices of the land. If the Commission desires individual explanation, we will furnish it.

GOV. POWERS: Does this clear up this Ralph Dills on page 22?

MR. HORTIG: There are two sales to Mr. Dills -- Page 27 and page 34. These are not in the vicinity of the Colorado River. These are areas in the desert, southerly of the Salton Sea -- applications entirely separate, filed at other times, separate from the matter that Mr. Dills has had under controversy with the Commission.

GOV. POWERS: Routine?

MR. HORTIG: That's right.

GOV. POWERS: Appraised to the highest bidder?

MR. HORTIG: That's correct.

GOV. POWERS: O. K.

MR. KIRKWOOD: This includes the one on 21, too?

MR. HORTIG: Yes sir. The reason the one on 21 isn't on the streamline is that there were a multiplicity of bidders.

MR. KIRKWOOD: But you want that included?

MR. MUGFORD: That's pages 21 through 35?

MR. HORTIG: That's correct, Mr. Chairman.

MR. MUGFORD: Recommendations are approved.

MR. HORTIG: Page 36 -- Under the statutes when a portion of leased land or a parcel of land is sold on which
there is an existing grazing lease, the Commission is authorized to issue a certificate of restitution to refund to the grazing lessee the rental which is no longer applicable to the portion of land which is removed from the grazing lease by reason of the sale; and, therefore, it is recommended in this instance the Commission rescind its action authorizing a lease to the Flying S Ranch on December 18 and authorizing the issuance of a new lease for the remainder of the land, comprising 2,480 acres, for the unexpired term of the surrendered lease, the annual rental to be at the same rate as under the prior lease, or an annual rental of $37.20; the total rental under the new lease $113.38. Rentals prepaid and unearned under the former lease, $128.93. The application of this amount to rental on the new lease leaves an overpayment of $15.55 and it is recommended that the Executive Officer be authorized to refund this amount to the lessee by certificate of restitution.

MR. MUGFORD: $15 worth of red tape.

MR. HORTIG: Our statutes with respect to this type of operation are current with 1858.

MR. KIRKWOOD: Are you going to come up with a recommendation?

MR. HORTIG: Yes.

MR. MUGFORD: Approved.

MR. HORTIG: Page 37 -- Pursuant to Chapter 117 of
the Statutes of 1957, the State Lands Commission is authorized to survey, monument and record a plat of certain lands granted by the Legislature to the City of Vallejo, at the cost of the City. An agreement for this purpose is to be drawn by the City and will provide for services not in excess of the cost of $300 estimated for the cost of the work by the State Lands Commission. It is recommended that the Executive Officer be authorized to execute this agreement.

MR. KIRKWOOD: All right.

MR. MUGFORD: All right with you?

GOV. POWERS: Yes.

MR. MUGFORD: Approved.

MR. HORTIG: Page 38 -- pages 38 to 45 review the proposed budget for the State Lands Commission for the 1959-1960 fiscal year -- which, in accordance with the requirements of the Department of Finance, has been divided into an "A" budget (that necessary to maintain existing levels of service) and a "B" section to provide for additional facilities or activities or operations which are felt to be necessary. This budget has already received the initial scrutiny of the Budgets Division of the State Department of Finance and in the form presented here this morning has been considered acceptable.

MR. MUGFORD: My operatives tell me it is a very good budget.
MR. HORTIG: Thank you. The "B" budget, which encompasses the only new features, is outlined starting at the bottom of page 41, and provides for one new position in the Mineral Resources Section, plus necessary office equipment to consist of the nucleus of a geological section of the Mineral Resources Section -- which has been heretofore recommended by the consultants to the Commission, who recommended a Reservoir Section, for which we have one unfilled position which we propose to use as the nucleus of the Reservoir Section and, therefore, to round out this program would require this new position which would serve as the nucleus for the geological section, both recommended by the consultants.

MR. MUGFORD: Do you wish to discuss the budget on this auditing service?

MR. HORTIG: Yes. I was waiting for Mr. Kirkwood's comments.

It has been recommended and it is now a matter of general agreement with all agencies -- the Budgets Division of the Department of Finance, the Audits Division of the Department of Finance -- that this budget shall include the establishment of three additional auditing positions in the State Lands Division, which, together with the reassignment of duties to existing auditing positions, will result in all the current, recurring, day by day audit work of the State Lands Division being performed by State
Lands Division personnel, with the contemplation that if the work load is such that those personnel cannot handle the once-a-year review and annual report required to be submitted on the City of Long Beach on the disposition of its funds and the proposed trust proceeds, then it would be contemplated that such review would be made by service contract by the Division of Audits; but all the audit work relating to operations of the State Lands Commission and which goes to the point of ultimate policy determinations or approvals by the State Lands Commission would be performed independently by staff of the State Lands Division.

The matter of establishment of these positions and assignment, reassignment, of duties to existing positions would also give the Division advantage -- not only in covering all the activities of Long Beach, but will also give us the facility of having an internal independent audit group responsible to the State Lands Commission for internal auditing of current operations in the State Lands Division.

MR. MUGFORD: Sound all right to you, Bob?

MR. KIRKWOOD: Yes, Ralph and I were discussing this this morning and I am pleased to see it coming about. Is it something that can be done this year?

MR. HORTIG: We hope, on indicated approval, that this will go into the budget and funds will be forthcoming to proceed immediately to pick up the program on a temporary
deficiency operations basis, accrue the personnel not only to get going on it, but also to have the advantage of indoctrinating while the Audits Division is working on it.

MR. MUGFORD: You would like to have the Commission's approval?

MR. HORTIG: It is recommended that the Commission approve the proposed "A" and "B" budgets in the total amount of $1,049,380, subject to final review and approval by the Department of Finance, of course.

GOV. POWERS: That's 7% for operations and total expenditures of 10%, is that right?

MR. HORTIG: That's correct.

MR. MUGFORD: This is primarily a work load budget.

MR. HORTIG: The majority of it is a work load budget.

GOV. POWERS: That's O. K. with me.

MR. MUGFORD: All right. The budget is approved by the Commission.

MR. HORTIG: Pages 55 to 63 are tabulations of the transactions consummated by the Executive Officer under delegation of authority and it is requested that the Commission confirm these actions.

MR. MUGFORD: 55 through ....

MR. HORTIG: 63.

MR. MUGFORD: .. 63. Anything unusual about any of them?
MR. HORTIG: Every one of them was routine, non-controversial, standard, and in accordance with the rules and regulations of the Commission, on prescribed forms.

MR. MUGFORD: Satisfactory?

MESSRS. POWERS AND KIRKWOOD: Yes.

MR. MUGFORD: All right. The items are confirmed.

MR. HORTIG: Supplemental item appearing on page 77 was prepared to bring to the attention of the Commission the magnitude of the litigation that the Lands Division is now involved in, in assisting and in giving technical support to the Attorney General's office, and the distinctions being made on the importance of litigation. They are primarily based on whether the litigation is based on millions of dollars or hundreds of millions of dollars.

The first case referred to is the one on which Mr. Goldin already this morning gave you the status report.

The second case, an interesting one called Whitson vs. State of California, testing or contesting the constitutionality of the Submerged Lands Act. I am very happy to be able to report that based on motions by the defendant State of California through the Attorney General's office this case was dismissed by the court on September 29.

MR. GOLDIN: There were other motions, too.

MR. HORTIG: You are too modest.

MR. GOLDIN: I'd enjoy it if it were my case.
MR. HORTIG: The third case is the unique one where we are not on the same side as the City of Long Beach -- do not read a quitclaim to the State of California by the City of Long Beach the same way, so complaint for declaratory relief and to quiet title was filed by the office of the Attorney General and the case is now at issue, had a pretrial conference, and is set for December 18th of this year.

And, finally, in the case of County of Orange vs. the State of California, in which the county named the State in a declaratory relief action to construe or misconstrue a 1919 grant. We are in the long period of questions and answers, wherein the attorneys for the Orange County have filed a series of interrogatories requesting that the State reply thereto. Reply was made and now there has been a re-request that the State reply more specifically and, as noted, plaintiffs have asked for hearing on this last motion on October 17th and we have requested an extension of time on this hearing to October 20th.

In very simple summary, the interrogatories said:

"Please send us a list of every document that you have in the files of the State Lands Division relating in any manner, shape or form to any oil and gas operations in Orange County starting with the beginning of the operation of the State Lands Division."
MR. MUGFORD: That's quite an order.

MR. HORTIG: Your comment on that was a little more polite than my initial reaction. And now, last but not least, gentlemen, not least from the standpoint of complexity -- supplemental calendar pages 64 through 71.

I shall summarize briefly and then for details we can produce the maps to the extent that you gentlemen are interested; and to the extent of the legal complications, we are fortunate in having here this morning Deputy Attorney General Wolff, who has the unique situation with respect to this problem of having participated both as attorney for the State Lands Commission and very actively as attorney for the Port of San Francisco, the agencies primarily involved in this action which has been pending for a long time -- as you can see, in that the original Lands Commission authorization dates back to July 6, 1950, whereunder execution of an agreement was authorized with the Southern Pacific Company relating to certain parcels under title dispute and the consideration for entering into the agreement was that the Southern Pacific Company paid the State $3,000 to be used as advance rental if final adjudication should be that the State has an interest in the areas, or to be retained by the State in case no State interest was found.

The action was initiated, the negotiations have been conducted with Southern Pacific toward settlement of
the litigation -- particularly because it appears at least doubtful whether the State Lands Commission has any administrative jurisdiction over the specific areas involved.

If the State Lands Commission does not, the San Francisco Port Authority does, and the Southern Pacific and San Francisco Port Authority for the benefit of the State have developed a program whereby the lands on which title is very clouded would be traded to the Southern Pacific Railroad Company in return for other parcels of land with clear title and high appraised values -- all in settlement of this litigation; under which circumstances it was felt appropriate to recommend to the Commission that the Commission authorize a settlement as now proposed and recommended by the Attorney General's office, of the case which was originally initiated to quiet title, to authorize this settlement as to any interest the State may have in the State lands involved that may be under the Commission's jurisdiction subject to the conditions that the Commission recognize that the property herein concerned appears to be under the jurisdiction of the San Francisco Port Authority; (2) that the responsibility for protecting the State's interests and the authority to carry out this transaction is vested in the Attorney General and the San Francisco Port Authority; and (3) that there be transferred from the State Lands Commission to the San Francisco Port Authority for administration and final
disposition an original conditional lease which was entered into between the State Lands Commission and the Southern Pacific Railroad involving these same lands over which the Commission has doubtful authority.

Now, for specific information or any questions as to the legal factors involved, as I said earlier, Deputy Attorney General Wolff is here.

MR. MUGFORD: Do you have any questions?

MR. KIRKWOOD: Well, is this the only recommendation that we need to follow? Somewhere in here -- I have forgotten where I saw it -- it talked of "... before the suit is amended to include additional areas and the filing of stipulations to conclude the matter." Is that something we will have to act on again later or is this all the action we need to take?

MISS WOLFF: As I understand the way the settlement is drawn up, if you wish to relieve this question of doubt as to the agency vested with jurisdiction by transfer to the Port, then, of course, you would not have to do anything further. The Port Authority has, in the statutes, a specifically described line of jurisdiction. In addition to that, though, there is a statute which says that the Port Authority is granted all adjoining land which is held by the State.

Our office has never been in a position to determine what that statute means because the two agencies have
always cooperated by pooling their mutual problems under some kind of agreement to share costs and benefits or something of that nature, so we have never actually faced the problem. The same thing occurred here. The Port has never made any claim to the streets which may be in the State by reason of the Beach and Water Lot sales. They are not included within the specifically described area. But when we started to discuss the settlement, the Port did have adjoining that property which you now have under this tentative lease -- it did have property clearly within its jurisdiction and on which there was a serious dispute with the Southern Pacific. So it was assumed that we might be able to clear up the conflict in interest between the Southern Pacific and the State of California in this area once and for all and if so, Colonel Putnam (I presume with consultation of the then Lands Commission) felt that the actual negotiations looking to settlement should be conducted by the Port Authority, whose land had a clear ascertainable value and whose interest was very definite and specific.

Therefore, the negotiations up to this point have been conducted by the Port Authority. The Port Authority, however, has no desire to usurp any prerogatives of the State Lands Commission, so before concluding that settlement and since there is this doubtful jurisdiction on the lands under lease -- and so far as the Port Authority is
concerned, except for this settlement they would be just as happy to have the Lands Commission have these lands, which are probably a liability to the State by reason of the cloud on the title -- this proposed settlement, which has already been approved by the San Francisco Port Authority as far as it is concerned, is now referred to you.

If you are satisfied with it, then I would say that the simplest way to dispose of the problem probably would be to transfer, to make clear the transfer, of those lands in which you have this conflict of jurisdiction, or this question of jurisdiction, to the Port Authority. Then you would have one State agency vested with the full responsibility.

MR. KIRKWOOD: That's all right with me.
MR. MUGFORD: Satisfactory to you?
GOV. POWERS: Port Authority carries it rather than us?
MISS WOLFF: Yes.
MR. HORTIG: The Port Authority has use for the lots. All we have is potential litigation.
GOV. POWERS: That's all right.
MR. MUGFORD: The recommendations as outlined on page 68, then, are adopted. Does that finish the calendar?
MRS. STAHL: Do you want to talk about another meeting?
GOV. POWERS: We have plenty of time. Fix it any time you want.

ADJOURNED 11:15 A.M.
DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Division of Administrative Procedure, hereby certify that the foregoing forty-two pages contain a full, true and correct transcript of the shorthand notes taken by me at the meeting of the STATE LANDS COMMISSION held in Sacramento, California on October 14, 1958.

Dated Sacramento, California October 15, 1958.

[Signature]

LOUISE H. LILlico