TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA
FEBRUARY 24, 1959
10:00 A. M.

***

PARTICIPANTS:

THE COMMISSION:
Messrs. Bert W. Levit, Director of Finance, Chairman
Glenn M. Anderson, Lieutenant Governor
Alan Cranston, Controller
F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:
Paul M. Joseph, Esq.,
Deputy Attorney General

APPEARANCES:
Caspar W. Weinberger, Esq., of
Heller, Ehrmann, White & McAuliffe,
representing:
Lindsey Spight
(Calendar Item 31)

Mr. Stanford C. Shaw
in pro per
(Calendar Item 24)

Reporter: Louise H. Lillico
Division of Administrative Procedure
(In accordance with Item classifications, calendar summary)

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DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
MR. LEVIT: The meeting will please come to order. This is the meeting of the State Lands Commission. First item on the agenda is the confirmation of the minutes of the meeting held in Sacramento on January 29, 1959. Are there any corrections or additions? (No response) If not, the minutes will be approved as submitted.

MR. HORTIG: At this point, Mr. Chairman, might I indicate for information of the Commission we should like to reconfirm that the date of the next Commission meeting is still Wednesday, March 25, at 9 a.m.

MR. LEVIT: That will be here in Sacramento?

MR. HORTIG: In Sacramento in this room.

MR. LEVIT: If there is no objection to that, then that will be the date of the next meeting.

MR. CRANSTON: Did you say 9 a.m.?

MR. HORTIG: Yes.

MR. LEVIT: I might comment that since the last meeting Mr. Cranston and myself spent a day in Long Beach, going over some of the territory and the subsidence problems they are having down there. Governor Anderson has already been down there. The people from Long Beach very courteously showed us around and told us what their plans were, and I think we both have a better understanding of the problem now in some of the matters that will come before the Commission than we had before. Do you want to continue now with the calendar, Mr. Hortig? Item 2 is the matter of
granting permits, easements and rights of way.

MR. HORTIG: Starting with page 1 and following through page 8, all items in this sequence are permits, easements and rights of way to be granted to the public and other agencies at no fee, pursuant to statute. The consideration is the public use and benefit.

Calendar page 1 refers to permit for the City of Seal Beach for the continued maintenance of a municipal pier which has been in existence for many years and has been under a term permit previously issued by the Lands Commission; and it is recommended that a life-of-structure permit for 25 years beginning October 4, 1958 be issued.

Mr. Chairman, do you wish to have these matters presented en bloc, or action on each one?

MR. LEVIT: Yes, just go right on down. If anyone has any questions or wishes to address any remarks to the Commission as your matter comes up, please do it. Otherwise, we will assume there is no objection.

MR. HORTIG: For the benefit of the Commission, I would like to call attention to the maps that we have showing the geographical locations of all these matters, so if any Commissioner wants any further information on a geographical basis, we have it here this morning.

Item 2 - application from the Division of Highways to permit the placement of an extended section of highway route immediately along the shore adjoining San Eligo State
Park in San Diego County. Issuance of the right-of-way easement is recommended.

Calendar page 3 -- application from the County of Stanislaus for a bridge right-of-way across the Tuolumne River, which is recommended.

Item 4 -- application Division of Beaches and Parks for a 49-year life-of-structure permit for the placement of a pier in Lake Tahoe within Emerald Bay State Park, which is recommended.

Item 5 -- application from the U. S. Department of Commerce for a 20-year life-of-structure permit for placement of a pier on a Schultz Slough at its confluence with Petaluma Creek as the site of an air navigation facility monitor station -- issuance of which is recommended.

Calendar page 6 -- application from the U. S. Army Corps of Engineers for a permit for the placement and maintenance of two breakwaters on tide and submerged lands for the protection of Half Moon Bay, San Mateo County -- which is recommended particularly with reference to the improvement of navigation in Half Moon Bay.

Page 7 -- application by Union Oil Company of California to dredge sand and silt which has piled up against their existing wharf, which is in operation under an existing State lease in Oleum, Contra Costa County, with the material to be redeposited on State lands in Carquinez Strait -- merely shifting the position to provide an adequate
navigation channel to their existing pier. The Corps of Engineers has approved this project as a benefit to navigation and it is recommended that the ....

GOV. ANDERSON: Just a question on that -- When they dredge that, does that go only to the previous depth, that is, only to get the silt and sand off?

MR. HORTIG: That's correct. In this case it is intended to go to the previous depth. However, if the Corps of Engineers recommended that they have a deeper channel, authorization would be requested for that.

GOV. ANDERSON: In other words, there would be no apparent danger to any adjacent property?

MR. HORTIG: Very definitely not. The maintenance of a navigation channel, as well as the safety of existing structures, are both conditions reviewed by the Corps of Engineers and the State Lands Division.

GOV. ANDERSON: But before they go to any deeper than the previous depth, they would have to come before the Commission?

MR. HORTIG: That is correct. Page 8 is a re-calendaring of an item on the previous calendar as of January 29, relating to proposal to issue right-of-way permit to the Atchison, Topeka and Santa Fe Railway Company for a crossing over vacant State school land, which has been in existence since 1911. At the time of the previous meeting, there was a reference to an Attorney General's
opinion in which it was indicated that the Commission authorize such a permit at no fee. The Chairman asked that this item be recalendaried in order that a copy of the Attorney General's opinion could be furnished to the Commissioners for review.

GOV. ANDERSON: Why would there be no fee on this?

MR. HORTIG: Primarily because -- this is my engineer's view of the opinion -- the statutes at the time of the actual occupancy provided for the issuance of a permit at no fee, but the Santa Fe Railroad failed to take the advantage, overlooked taking the advantage of making the application at that time and this is a retroactive operation in one sense, plus the fact that there have been since added additional authorities in the Public Utilities Code that the former Railroad Commissions got, the combination of which lead the Attorney General's office to feel that in the public interest in the continued operation of the railroad that this case comes within the scope of those operations which the Commission can authorize at no fee. Deputy Attorney General Paul Joseph is here this morning from the Attorney General's office and for a deeper legal analysis I would refer your question to him.

GOV. ANDERSON: My only feeling is that if they were to come in now we would ask them for a rental fee.

MR. JOSEPH: No, there is no fee in this type of thing. These railroads have been getting these for some
50 or 60 years -- this type of easement on public lands, similar to telephone and telegraph lines, although with telephone and telegraph lines the type of public lands over which they get the right to place their lines is more restricted.

GOV. ANDERSON: If there were private lands right alongside this, they would have to pay to go across it; but when they come to public lands, they get it free.

MR. JOSEPH: The law has given that for 50 or 60 years.

MR. CRANSTON: Is that under the concept that they would pass it right back to the public in higher rates?

MR. JOSEPH: No. It seems to me the consideration is that they are giving public service for the use of the lands.

MR. CRANSTON: But they are giving public service at a profit.

MR. JOSEPH: Yes.

MR. CRANSTON: But is it the theory they would pass it back in higher rates?

MR. JOSEPH: They get the right of using the property for the service they give to the public generally.

GOV. ANDERSON: Wouldn't this apply to most businesses under some theory?

MR. JOSEPH: Yes, it is not very logical. It is not very logical, but that's how they spell the thing out.
Now, this opinion of Mrs. Wolff with reference to this goes into it at great length. I have gone over the cases on the matter, and I don't see personally.....

GOV. ANDERSON: Wasn't this put in at the time they were trying to encourage the railroads? Isn't this a carryover? When does this end?

MR. JOSEPH: When the Legislature in their wisdom get ready to end it, I suppose.

GOV. ANDERSON: Well, is this a legislative policy?

MR. HORTIG: It's statutory.

GOV. ANDERSON: In other words, we don't have a right to rent them or charge a fee for the use of this?

MR. HORTIG: That is the summary of the Attorney General's opinion.

GOV. ANDERSON: That we wouldn't have a right to charge them a rental or sell this to them?

MR. HORTIG: We could sell it to them.

GOV. ANDERSON: We could sell it to them but couldn't rent?

MR. CRANSTON: Obviously they don't want to buy.

MR. JOSEPH: They have been there since 1911.

MR. LEVIT: Anybody here representing the railroad?

MR. HORTIG: No sir.

MR. LEVIT: Well, do you prefer to take that up separately or shall we take them all together?

GOV. ANDERSON: I have no personal objection to
this but I think it's something we might go into in the
time. I think it is high time we look at this thing
again -- not this particular one.

MR. LEVIT: Maybe we ought to figure out a way to
rent the sky to the air lines, too.

MR. HORTIG: We have had that question before.

MR. LEVIT: Well, a motion to approve items (a)
through (h) of Section 2 would be in order.

MR. CRANSTON: I so move.

GOV. ANDERSON: Second.

MR. LEVIT: That will be the order by unanimous
consent of the Commission. That brings us to Item 3.

MR. HORTIG: Item 3 comprises the calendar items
appearing on calendar pages 9 through 30 relative to per-
mits, easements, leases, and rights-of-way to be issued
pursuant to the statutes and established rental policies
of the Commission.

Calendar page 9 is an application for right-of-way
easement for an overhead wire line crossing the Mokelumne
River by Pacific Gas and Electric Company. Under estab-
lished policies of the Commission, rental for the 49-year
proposed easement term would be $50.00. Issuance is
recommended.

MR. CRANSTON: I'd like to ask why that one is in
a different category from the previous one.

MR. HORTIG: Because the railroads have had specific
MR. CRANSTON: Are only the railroads exempt under the thing we are talking about?

MR. HORTIG: Yes sir.

MR. JOSEPH: The telephone and telegraph lines have similar easements, but only over more restricted lands.

MR. CRANSTON: What types of land?

MR. JOSEPH: Mainly highways, roads and waterways, and not public lands generally.

MR. CRANSTON: This next one is an easement over water -- the Mokelumne River.

MR. JOSEPH: This isn't a telephone or telegraph line. One is for a telephone line, the other is a railroad line.

MR. CRANSTON: In connection with these calendar items, I was talking briefly to Mr. Hortig about this before the meeting. It seems to me we should give some consideration as to whether we are getting the right amount of money on these leases. They all appear very low. Frank tells me I have something I have not yet studied -- a schedule of rental and royalty rates. I suggest we take a look at that and discuss it, as to whether we could not get higher rentals.

MR. HORTIG: Yes. It was sent to all Commissioners last week.
MR. LEVIT: Would you calendar that, Mr. Hortig, so it would be on the calendar next month?

MR. HORTIG: Yes sir. As indicated in the memorandum of transmittal to the Commissioners of the existing schedule, it was pointed out that certainly the fees on that schedule are under current study to determine their economic desirability and compatibility in line with current land evaluation. I am not certain that by the next meeting we will have completed and have specific recommendations on changes, although the studies indicate that changes are probably going to be recommended.

MR. LEVIT: Well, it seems to me that we ought to postpone our discussion of it until the recommendations of the staff are ready. How do you gentlemen feel about that?

MR. CRANSTON: When would that be ready?

MR. HORTIG: By not later than the meeting after next.

MR. LEVIT: Well, if it is agreeable we will change that to the meeting after next and we will assume that you will have your staff recommendations ready; and I would suggest that these recommendations direct themselves to all of the schedules rather than merely the ones that you are going to change.

MR. HORTIG: We will have a complete review and report, indicating those that we feel are adequate in their present form and then the recommended changes.......

DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
MR. LEVIT: That's right.

MR. HORTIG: ... so that it will cover all types of easements, leases, and permits issued by the Commission for a fee.

MR. CRANSTON: Would you furnish that to us as far ahead of that meeting as possible so we can study it?

MR. HORTIG: As soon as we can.

MR. LEVIT: All right. If there is no objection we will proceed with item (b).

MR. HORTIG: Page 10 is an application for lease of two acres of tide and submerged lands along the bank of the Sacramento River, immediately north of the City of Sacramento, to be used as a boating facility. Issuance in accordance with the rental schedule, which is based on a percentage rental of the appraised value of the land, is recommended. The annual rental under this proposed lease would be the minimum of $100 per year.

Page 11 -- application by Santa Catalina Island Company to amend and extend a lease already in existence to include a small additional parcel of tide and submerged lands 100 feet wide and 600 feet long. The purpose of the basic lease in existence to Santa Catalina Island Company has been to give them the ability to control the placement of mooring facilities immediately adjoining the shore of Catalina Island, fronting on those properties owned in fee by the Santa Catalina Island Company. Extension of the
existing lease and proportionate increase of rental is recommended.

Item on page 12 -- It is requested that action be deferred for further staff study in view of a legal question which has been brought up by our counsel.

Page 13 relates to a prospecting permit previously issued for certain vacant State school lands in San Bernardino County. The permittee has explored the area initially by core hole drilling, has had nothing but discouraging results, and rather than have a document in effect which requires operating requirements for the next year and a half or till the expiration of the permit, which would be December 22, 1960, proposes to quitclaim these lands back to the State. This is within the authority of the Commission to accept, as detailed in the copy of Attorney General's opinion following. Acceptance of this quitclaim is recommended.

GOV. ANDERSON: When they make a request for a permit like this, do they say they are going to do certain things in the line of prospecting that you see they live up to before you quitclaim something like this?

MR. HORTIG: There are specific operating requirements in the form of prospecting permit which is issued upon application and these are in terms of shifts of work to be done, depending upon the time that it is to run; so, having completed these shifts of work and not having gotten
to the point of a commercially valuable discovery under
this specific permit which would give the permittee a
preferential right to an extraction lease, and desiring to
abandon the project, this quitclaim is offered.

MR. LEVIT: Have they done all the work they
agreed to do? I think that's what the Governor is driving
at.

MR. HORTIG: Yes.

MR. LEVIT: In other words, they have done what
the permit contemplated?

MR. HORTIG: Yes. They have gone in and started
their exploration and to the extent they have explored in
the time they have held the permit, they have had disap-
pointing results. The thing is not a very enforceable con-
tract in the form in which it is authorized by the Legis-
lature, in that if a permittee accepts a permit and pays
the permit fee he can then sit there with it ostensibly on
the records and never do anything. There is no performance
bond permitted and required, and the only thing that happens
then is that the permittee never gets into the position of
being able to get a preferential mineral lease by reason of
having made a discovery if he takes the permit and makes
no discovery. But the records of the Lands Commission are
covered for this particular land all this time. Therefore,
if we have a permittee that is no longer desirous of operat-
ing the land, it is much more desirable to allow the quitclaim
and have the title, rather than allow the thing to hang there until the end of the permit.

GOV. ANDERSON: How much would this permit cost originally?

MR. HORTIG: $1 per acre.

GOV. ANDERSON: And if they were to continue on, there wouldn't be any rental of any kind?

MR. HORTIG: No.

MR. CRANSTON: Under what circumstances would it be disadvantageous to the State, would be to our advantage to refuse a quitclaim?

MR. HORTIG: I can't conceive of any circumstances where it would be disadvantageous. The disadvantageous part is where we find a permittee is not operating but won't even cooperate to the extent of requesting a quitclaim.

MR. LEVIT: Do we have any way of cancelling these things if they don't go ahead with their prospecting?

MR. HORTIG: Yes, but cancellation is as to a right to get a preferential mineral lease at the end of the permit term. Actually, the statutes provide that the permittee receives the exclusive right to prospect upon payment of the fee of $1 per acre, which is the total fee for the full permit term of two years. So we can tell him at the end of the two years he hasn't done anything, his permit has expired, and that's it.

MR. LEVIT: Next item is similar, isn't it?
MR. HORTIG: Page 14 is a quitclaim of an existing prospecting permit. However, I wish to call your attention here this is not by reason of failure to or lack of desire to proceed, but there were two separate prospecting permits outstanding for different types of minerals on the same land and our applicant, Crown Mining Co., is now proposing that with one prospecting permit expiring, the other one still in existence, he quitclaim the second prospecting permit in order that the item appearing on pages 15 and 16 and on 17 and 18 -- three new prospecting permits -- may be issued covering both the lands currently under the prospecting permit and additional lands. Crown Mining Co. have been operating and desire to continue. The quitclaim in this instance simply results in a simplified record, in that the Lands Commission would have one piece of paper on all lands specified rather than two as before.

MR. LEVIT: I suppose we have to consider all three of those items together?

MR. HORTIG: Any combination will still permit us to operate one way or the other, although the full package desired would be approval of all three items appearing on pages 14, 15 and 17.

Page 19 refers to an existing lease at Selby and Carquinez Strait, whereunder on the filled lands, which are being filled under the terms of the existing lease, erection of any additional structures on the land requires an
authorization by the Commission. The filled lands are
coming the property of the State as of the termination of
or expiration of the existing lease. Therefore, there is
no objection to and it is recommended that the present
lessee be authorized to erect an additional single story
wood frame addition to the existing office on the property.

Page 20 is another gas line crossing of State lands
in San Bernardino County. The calculated rental under
existing policies of the Commission, rental rates depending
on the length of the right-of-way, results in a total
rental of $294, all of which would be payable in advance.

Item on page 21 -- a similar item on adjoining
lands for the same gas pipe lines, for which total rental
of $297.15 would be payable in advance.

Page 22 -- an application for a lease of six-plus
acres of tide and submerged lands in Corte Madera Creek,
to be dredged to provide a site for a boat harbor. Calcula-
ted annual rental on the established rates of the Commiss-
ion as against the appraised value of the land would be
$1,177.8? and because of structures proposed to be placed
on the land during its period of operation as a small boat
harbor, it is recommended that a performance bond in the
amount of $2500 be required in conjunction with the issuance
of the lease.

Page 23 -- application for a strip of tide and sub-
merged lands containing approximately 1/10 of an acre along
the right bank of the San Joaquin River for the construction, maintenance and use of a small boat wharf and walkway. The minimum annual rental would apply in this instance -- minimum rental of $100 with a surety bond to be required to assure safe maintenance of the structures as well as removal at the termination of the lease.

Page 24 -- existing leases held by United States Plywood Corporation, leases covering approximately nine acres of tide and submerged lands in the beds of Freshwater and Eureka Sloughs in Humboldt County, are proposed to be assigned -- excuse me, existing leases held by Mutual Plywood Corporation are proposed to be assigned to United States Plywood Corporation; and it is recommended that the approval be authorized upon receipt of new performance bond from the assignee.

Page 25 relates to proposed operations for establishing seismograph survey data on areas which are currently included under State oil and gas leases. Exploration operations of this type must, under the statutes, be authorized by the State Lands Commission and where explosives are to be used, as will be in operations of this type, there must be a concurrent permit from the Department of Fish and Game; and, again under the statutes, the results of these types of operations are available to the Commission as confidential information. It is recommended that this operation be authorized.
MR. HORTIG (continuing) Pages 27 and 28 ....

MR. LEVIT: What about 26?

MR. HORTIG: I am sorry -- I am too enthusiastic.

MR. LEVIT: Klamath Cedar Company.

MR. HORTIG: Yes sir. I think possibly we withheld action previously on an erroneous item.

MR. JOSEPH: Page 12. It was this one, not 12.

MR. HORTIG: If the Commission will please refer to page 12, we have an analogous item and I erroneously reported that action was desired to be withheld on this item. This is not the case. It is recommended that in the item on page 12, relating to application for cancellation of lease and acceptance of a quitclaim deed, that these items be approved with respect to the item on page 12; and with respect to page 26, that the Commission withhold consideration of this item until further staff study because of a legal question which has been raised this morning.

Page 27 -- There is an existing lease by State Lands Commission covering approximately 60 acres of former vacant State school land on the westerly slope near the top of Mt. Diablo which has been under lease since February 1, 1942 for the purposes originally of a radio station site, subsequently expanded to cover any type of radio or television station. The present lessee has also subleased to other organizations with the approval of the State Lands Commission, the other organizations being Lenkurt Electric...
Company, American National Red Cross, the United States Atomic Energy Commission, and the Sandia Corporation, all of whom are occupying space and operating equipment within a structure which has been placed by the lessee on the State's land.

There is now pending before the Commission an application from Mr. Lindsey Spight for assignment to him of the basic lease. Mr. Spight has represented that in order to proceed with effective further development of the area for the same general purposes as a communication site, that it would be desirable to have a firm term of 15 years under a new lease with options to renew, rather than the conditions that would apply on a simple assignment to him of the existing lease, whereunder there would be three more years of firm term under the existing lease with an option to renew at that time on such terms and conditions as the Commission might prescribe.

As a result of the application for a new lease, a reappraisal of the area was made and it was determined that the fair rental value of the site currently for a new lease would be $1,098 annually.

GOV. ANDERSON: How many acres is that for?

MR. HORTIG: Sixty acres.

GOV. ANDERSON: for sixty acres?

MR. HORTIG: 59.62 acres. This is $1,098 annually proposed for a new lease, compared with the last rental rate
of $540 annually, which was arrived at as a result of appraisal at the time of the last modification of the lease in 1945.

GOV. ANDERSON: How do they determine the evaluation of a hilltop like this? My understanding is these are becoming rather scarce and they are becoming more and more valuable. The demand is becoming greater for these for short wave, for everything. Are we going to continue renting these out for less than $20 an acre?

MR. HORTIG: A value determination is made by appraisal and I have the rough appraisal report right here, Governor -- hasn't even been typed -- complete with photographs, down to and including cost specifications for development of various types of transmitting buildings and so forth. The evaluation in this particular instance -- well, the basic question was what was its value for highest and best use, which obviously is for a radio and television site, as you have indicated, both because of comparative scarcity and in this instance strategic (although not completely ideal) location -- because this site is not on the mountain top; it is actually shadowed to the east by the upper portions of Mt. Diablo, which decreases its value below what it would have on the area that is currently under the jurisdiction of Beaches and Parks and is actually on the mountain top and therefore can be used for communication purposes for literally all of Northern California.
After its devaluation from that type of property because of its less desirable location, a complete study was made as to its commercial rental return that could be gotten for operation of the type of equipment desired to be placed there and the optimum number of transmitters and facilities that could be installed giving rental returns, including everything of the type such as already under subleases to these various other corporations, which subleases are already in existence; and it was on that basis that the final calculated appraisal value of the land was arrived at, which at the 6.6% per year's average rental rate, which is the current Commission policy, results in this calculation of $1,098 annually.

GOV. ANDERSON: Now, if some other competitor wants to get up there and wants to put a station up there, is there other ground for them to lease or does this give them virtually a monopoly?

MR. HORTIG: There is no other land from the State lands currently for lease, but there are other facilities other than State facilities under arrangements with Beaches and Parks at the top of Mt. Diablo. What the availability for additional facilities up there would be, I couldn't say; but there are other areas available -- the next adjoining peak, so-called north peak, we have had brought to our attention is available for lease. As a matter of fact, a gentleman wrote in and informed us he owned it and he wanted the
State Lands Commission to get out of this business of leasing any mountain tops... it was interfering with his ability to lease his privately owned mountain top. He felt we were in competition and shouldn't be getting any moneys out of our State lands and we should withhold them from the market, as we were giving him competition. So there are other available sites -- however, not available from State lands.

MR. LEVIT: What is the total annual amount of rentals that we receive from these State lands properties?

MR. HORTIG: I couldn't even hazard a guess at the moment, Mr. Levit. However, I can say this -- this particular lease is the only one of this class that the State Lands Commission has in existence for general commercial radio station and television station sites throughout the State. Our other existing communication facility sites are rented to public utilities -- to the telephone company for repeater stations, and so forth. We have never had an application for other State lands to be used for this particular purpose.

MR. LEVIT: Is there any disclosure made of the price paid by the applicant for the lease that is purchased?

MR. HORTIG: For the assignment of the lease as such?

MR. LEVIT: Yes.

MR. HORTIG: There was not to the Lands Division,
sir. However, I might point out that our applicant, Mr. Lindsey Spight, and his attorney are in the audience with us this morning and as to those details I am sure they would be glad to respond as far as they can.

MR. LEVIT: I think what the Governor's question was leading to is something that's been going through my mind -- not particularly with reference to this transaction -- but, really, when you think of these figures, they sound like entries from Pepys' Diary.

MR. HORTIG: There are, of course, these factors that might help the Governor in connection with hisvaluation. Number one, when the land was leased it was raw land. It is worthless for agricultural purposes, anything else actually other than as a station site. The existing road into the area, the water development, the buildings that have been constructed on the property in order to house the transmitter equipment, have all been capital investment by the State's lessee. In other words, the State issued the lease and has leased only the raw land and it was extremely difficult of access in the first instance until road facilities were put into it, as I say, and water supply.

MR. LEVIT: Of course, I don't feel particularly inclined to call on the applicant in view of the fact that we made our own appraisal of the property and have come up with this figure that you are talking about.

MR. HORTIG: Well, I think this is certainly in the
record and I don't think the applicant would object. When we came back with the appraisal report, we indicated that the appraisal values had gone to such in the intervening term of this lease that a proposed rental literally double would now be applicable as a result of a new lease.

GOV. ANDERSON: When was the original lease given?

MR. HORTIG: 1942.

GOV. ANDERSON: You see, there has been a tremendous change since 1942 and '59 in sites for TV and things like this.

MR. HORTIG: Well, in 1942 the lease was issued for a rental of $120. The lease was modified in 1945 and the rental was increased to $540. Now, we are suggesting that we go to $1,098 and the applicant presented many (he thought) cogent reasons why this $1,098 is actually excessive. However, our appraisal indicates that it should be this amount.

MR. LEVIT: In making the appraisal your men, your staff, didn't take into consideration the price that was paid for the assignment of the lease?

MR. HORTIG: No s-r, because we assume certainly it must be implicit in the price of the assignment of the lease that there is consideration for the capital investment of the lessee -- the transmission tower, which is removable and represents many thousands of dollars, and is a tremendous operating expense, incidentally; the placement of the structure ......
MR. LEVIT: That just goes to the analysis of the price. It doesn't have anything to do with the relevancy of the price.

MR. HORTIG: Well, again, if I understand your question, with respect to any of the assignments of leases as are proposed on this current agenda or have been proposed heretofore, the Commission has not normally considered the economic aspects of the assignment from assignor to assignee, but has proceeded primarily on the basis that as a result of the assignment there would be an adequate lessee, capable of performing, and that the compensation to the State was proper and adequate in terms of the appraised value of the land. In most instances, we actually don't get an opportunity as a result of a requested assignment to review the rental rates. In this particular instance, because of the combination of circumstances proposed by our applicant, that he would prefer to have a longer firm term than there is under the existing lease, we had the opportunity to make a reappraisal as to the value as of the current date. Our applicant certainly has the option -- and which I don't believe he desires to exercise, but he should speak for himself -- to simply request the assignment of this particular lease to him at the annual rental of $540 a year, and this right he has by contract and by existing statute; but under those circumstances, three years hence he would be back in talking to us about a new lease, which he again has the
option to request, but the rental rate will by the terms of
the lease again be the rental rate proper in the minds of
the Commission as against the appraised value of the land.

GOV. ANDERSON: How are you limited on your appraisal
of this now? How do you determine the rental of this type
of a piece of property?

MR. HORTIG: The appraiser who prepared this report
is not with us this morning. However, I have his entire
report and it was found, first, that the commercial use of
this property due to the topography is restricted to an
area of 150 feet by 80 feet, upon which the transmitting
facilities all have been constructed. There is no water
available on the parcel. The water used on the installation
is trucked in and stored in two galvanized truck tanks of
about 750-gallon capacity each. Access to the site is good.
Comparable sites of equal ability and adaptability are very
limited, are not found in the vicinity. The site is lower
than the mountain top, requiring higher and more expensive
towers than desirable. Sales prices of similar type of
land in the area are not an indicator of rental, as lands
sold do not contain sites of equal value; and the value of
the site as a separate portion has been made because of its
lack of conformity and use to the remaining portion of the
parcel.

GOV. ANDERSON: The thing I was asking -- I think
you are now limited to 6.6% of the appraised value. Is that
a ceiling or a guide?

MR. HORTIG: No, that is it.

GOV. ANDERSON: That is a ceiling?

MR. HORTIG: It is both the ceiling and the floor.

MR. LEVIT: In other words, the law lets you make your appraisal.

MR. HORTIG: The law regulates the rules and regulations of the Commission.

MR. LEVIT: That's what you are reviewing now.

GOV. ANDERSON: Is that a policy the Commission sets?

MR. HORTIG: Yes sir.

GOV. ANDERSON: 6.6 -- that's not a statute.

MR. LEVIT: We have one other item. I didn't mean to preclude the applicant. Mr. Weinberger, do you have anything to add?

MR. WEINBERGER: Not unless the Commission wants to hear. I am Caspar W. Weinberger of Heller, Ehrmann, White and McAuliffe, representing Mr. Lindsey Spight, the applicant. I think the staff recommendation covers the matter very fully. I think it should be made very clear to the Commission that the buildings there are buildings sufficient to house transmitters; that there is one tower; that there are footings for a second tower. Actual cost of the footings alone are $15,000 and none of these things are the State's leasehold property. These are things which have been installed by prior lessees and which the applicant would be
taking over as part of his general operation; but, as Mr. Hortig pointed out, what is being leased is the raw land; and while the 59 acres have been mentioned, the actual usable area is a very small space. The rest is practically vertical. This is merely a transmitting area. By far the greater value was the buildings presently there. The appraisal was made by the Commission's staff and the rent seemed to us to be excessive in view of the fact it was more than twice the rental set two years ago; and it was a rental factor under which two previous operators had gone into bankruptcy. So we did not feel the rental was a minimum -- quite the contrary. We have a great deal more information and any questions the Commission would like to ask, either my client or I would be glad to answer.

MR. LEVIT: Thank you. Any questions? (No response) We will pass on to the next item.

MR. HORTIG: Page 29 is an application for right-of-way for placement of a submarine pipe line on the ocean floor to carry petroleum production by Standard Oil of California, Western Operations, Inc. from an existing State oil and gas lease, the production site of which is located two miles offshore at Summerland, Santa Barbara County, with a proposal to carry the production to an onshore gathering site at Carpenteria in Santa Barbara County; and this route would traverse tide and submerged lands not included within the oil and gas lease. Therefore, an additional
right-of-way easement must be issued if the line is to be placed in the location desired. It is recommended that the easement be issued.

MR. CRANSTON: Does this come in from two miles out to shore?

MR. HORTIG: It comes in diagonally. It is not on the beach until it comes out on the beach and, of course, coming out into the upland it will be buried. It will be buried to probably at least 35 feet water depth offshore and from there on in, after it's in operation, there will be no way to know that it is there except by reference to maps.

MR. CRANSTON: The language in the first paragraph says the lines will be placed below the ocean floor. They don't actually go beneath the rocks?

MR. HORTIG: Yes, they are jetted down—particularly where there could be trouble with navigation, with boats dragging anchors and so forth. So the line must be buried—plus the fact if it is buried you know it is going to be there. If you laid it out on the ocean floor, with the specific gravity in the sea water the line would have a tendency to float, so normally the best engineering solution is to bury it to anchor it.

MR. LEVIT: We have for approval items (a) through (r) of Agenda Item 3, with the exception of item (p), Klamath Cedar Company, which has been withdrawn.
GOV. ANDERSON: I so move.

MR. CRANSTON: Second the motion.

MR. LEVIT: By unanimous consent all those items are approved. Item 4.

MR. HORTIG: Item 4 relates to sales of vacant State school lands appearing on calendar pages 32 through 38. Items detailed on pages 32 through 35 are included in the summary tabulation on page 31, relating to proposed sales to high bidders on four parcels of land at amounts equal to the high bid, which also equals the appraised value previously established for these lands.

Pages 36 through 38 are specified in greater detail because there are several parcels of land for which application had previously been made by our applicant, Mr. Stanford C. Shaw, who is now in the meeting room, and in the process of depositing the required funds to consummate the applications and to meet the bid requirements of the appraised values for presentation to the Commission, extensions of time were granted within which the applicant might deposit these additional required amounts. During this period the applicant also modified his applications as to the specific parcels desired to be purchased and it is now recommended that the Commission confirm the extensions of deposit time to February 24th, today, heretofore granted to Stanford C. Shaw for the purchase of vacant State school land under Application 11096; (2) authorize a further extension of time
until 5 p.m. March 6, 1959 within which the applicant must deposit the sum of $227,366.48, $225,011.48 of which is to meet the appraised value of the remaining land in his application, $2,355 of which is to supplement the original expense deposit; (3) direct cancellation of the application as to the remaining lands if the additional deposit is not made by 5 p.m. on March 6, 1959, and authorize refund of any funds currently on deposit applicable thereto, including any applicable portion of the expense deposit less costs to the date of cancellation.

The only addition with respect to this operation over and above what might be termed the average has been the extensions of time which have been granted and the additional extension which is being sought here today by the applicant in order to meet the appraised values of the land. It is within the authority of the Commission to so grant and the Commission has heretofore granted them, although probably cumulatively the sum total of these extensions which have been granted are probably the maximum that have been granted in any application or series of applications heretofore.

MR. LEVIT: Well, you are only asking for another five days or six ... 

MR. HORTIG: To March 6th.

MR. SHAW: Ten days. At an appropriate time I should like to make a remark or two about this.
MR. LEVIT: All right.

MR. SHAW: Mr. Chairman, gentlemen of the Commission, this extension to this March date was part of a two-step proposal I made to your Public Lands Officer, which was that in the coming six weeks which will now expire in March we would select a certain number of parcels and in making that selection we would not delay any other applicants, anyone else that asked for some of these parcels. We would either take them or abandon our application. Then if there were any parcels left that we did not select, that is, express a desire to go ahead on, we would have still another six weeks, which would expire in mid-April, to make our final and last selection. So the recommendation that's before you now to March 6th is really the first of two extensions I really would be requesting, the second extension to expire -- the second and final extension to expire April 19, 1959.

We submit that this may be in order in view of the considerable number of parcels involved, in view of the fact that the appraisal made of these properties resulted in about a six-fold increase in the prices that we are going to have to pay if we take these parcels. So it is rather a close decision to be made on many of these.

Just as a matter of history on the matter, there are enough parcels involved that our initial deposit covering these parcels was up some nineteen months before we
were advised as to what would be necessary to put up before we can proceed. That was some $54,000 deposit and even so, there are a couple or three unresolved easements. I don't think they are of any great importance, but even to this date the picture is not entirely clarified as to precisely what we can buy. By way of summary, in view of these complications and the volume involved, and particularly in view of the fact that we would not stand in the way of anyone else wanting to purchase any of these parcels, we would think it appropriate to extend this to April 19th on these two statements I have suggested.

MR. LEVIT: Would the first extension be conditioned upon the granting of the second? In other words, if you couldn't get the second one, would you want the first one?

MR. SHAW: Of course -- no question about that.

MR. LEVIT: There is no question of legal disability involved?

MR. SHAW: In what connection?

MR. LEVIT: As far as you, the purchasers, are concerned.

MR. SHAW: I really haven't checked on it -- I perhaps should. I got involved in this, as the record shows, in March of '57 when I didn't even have aspirations and it never occurred to me to check on it. I will do so.

MR. LEVIT: Well, I think you should anyway. I just don't know offhand but it would occur to me. Well,
what we are being asked for as far as this recommendation
is concerned is the extension of time for performance of a
contract to March 6th?

MR. HORTIG: Right.

MR. LEVIT: That's all that is involved before the
Commission at this time.

MR. HORTIG: But the staff would have no objection
to an amplification, to have the Commission consider the
amplified second stage as requested by Mr. Shaw, to April
19th, to finally review, select and dispose of whatever
parcels are included within the scope of the original
request.

MR. LEVIT: In other words, you are suggesting now
that if we are going to act on this, we might as well act
on the entire extension perhaps?

MR. HORTIG: Yes sir.

MR. LEVIT: And you would recommend that we grant
the extension, is that it?

MR. HORTIG: Yes sir.

MR. LEVIT: And this -- would any change be required
in the way in which you presented the resolutions?

MR. HORTIG: To the extent of the amplification and
including an amplification in the same terms as proposed by
Mr. Shaw; that is, as to those lands included within the
original applications for which deposits had not been made
by March 6, 1959, that there would have to be a determination
by him to make the balance of the deposits necessary to
meet the appraised prices by April 19th; or then, finally,
on April 19th there would be a cancellation of all remain-
ing applications on which deposits had not been made and
refund of any amounts then outstanding less expense deposit
costs incurred to that later date of cancellation.

GOV. ANDERSON: That one thing referred to there --
where some other person comes in and wants to purchase one
of the pieces of property he wants an option on -- then he
has to meet it at that time?

MR. HORTIG: Yes sir.

GOV. ANDERSON: Is that in all your extensions here?

MR. HORTIG: No sir. That is correct and I think
possibly this is the second step, although Mr. Shaw didn't
mention it -- where there are parcels involved within these
large scale applications for which there are second or
even third applications, Mr. Shaw is willing that we proceed
with those parcels for public competitive bidding so deter-
mination can be made as to the sales of those parcels with-
out holding up any applicants. The later determination --
to April 19th -- decision would be required only on those
for which there is no other current applicant. In other
words, Mr. Shaw is in those cases the only applicant.

MR. LEVIT: Well, as far as I am concerned, I see
no objection to granting the extension on those terms.
The only point that bothers me is that I think you should
make it a point to ascertain whether any legal disability
might exist in connection with this purchase.

MR. ANDERSON: I will move we confirm the previous
extensions and then grant the new extension to April 19th.

MR. CRANSTON: Second the motion.

MR. LEVIT: That will be the order by unanimous
consent of the Commission. We have still a couple of other
items here. How about the other items of No. 4, the (a)
through (d) items. Could we have a motion on those, too?

MR. HORTIG: In other words, pages 32 through 35
which preceded Mr. Shaw's item.

MR. LEVIT: Those were approval of sales?

MR. HORTIG: Standard land sales.

GOV. ANDERSON: I'll move it.

MR. LEVIT: And you second, Mr. Cranston?

MR. CRANSTON: Yes.

MR. LEVIT: That will also be ordered by unanimous
consent of the Commission. That brings us to Item 5.

MR. HORTIG: Item 5 -- page 39, wherein we had an
applicant who desired to have certain Federal lands selected
on his behalf. The selection was made, the applicant with-
drew, and it is recommended that the Commission determine
that it is to the advantage of the State to proceed with
this selection, to receive the lands from the Federal Govern-
ment, and to place it on the vacant school land list to be
sold pursuant to the rules and regulations governing the
sale of vacant State school lands. This is one means by
which the Commission can help minimize the loss, prior
loss, to the State school land grant.

MR. CRANSTON: Would you explain what this indemnity
selection is?

MR. HORTIG: Yes sir. Very briefly, under early
acts of Congress back in 1853 California became entitled,
for school purposes, to the 16th and 36th sections of each
township and range throughout the State. In other words,
California as a condition to becoming a state of the Union
surrendered all title to the lands and Congress gave back
the 16th and 36th sections. Where these 16th and 36th
sections either fell on the Nevada border -- a touchy subject --
or out in the ocean, or would have fallen in areas that had
been previously conveyed by Mexican or Spanish land grants,
the State became entitled to other lands in lieu thereof
by way of indemnification to the State School Land Grant.
These losses have been a source of some bookkeeping through
the years and the land to which the State is still entitled --
crudely, 500,000 acres we are still entitled to receive.
When we have an opportunity to select this land, this land
is subtracted from the amount of land that the United States
still owes the State. When we get it, we put it on the
vacant school land list and it goes on the tax rolls.

MR. LEVIT: We will go on to 6.

MR. HORTIG: May we have a motion on 5?
MR. CRANSTON: Move ...  

GOV. ANDERSON: Second.  

MR. HORTIG: Item 6 starts on page 40 and -- much more briefly than outlined here in detail in writing for the Commission -- a timber operator operating on private land, in an area where the survey lines are very uncertain as between the private land and the State land, cut what we found to be and feel to be some timber off State land, as a result of having appraised the State land recently; and under these circumstances, proceeding the full legal route and contending for damages in court, if they are held liable there is a double indemnity feature under the Civil Code which would be applicable. If everything that we can conceive could be collected, under the greatest or best combination of circumstances, it is estimated we could collect $7,971.60. This, however, is not net. There would be a very expensive field survey required. There would also be litigation costs.  

To settle the entire problem, our unwitting trespasser -- and we do feel this is an error in good conscience and not deliberate trespass -- has offered to compromise and settle the entire matter by paying the State $5,000 as full payment for damages which occurred by reason of the timber trespass.  

Mr. Joseph, of the Attorney General's office, worked on this matter from the beginning. If there are any of the
legal facets you would like the background of, he is cer-
tainly the man to give them to us.

MR. LEVIT: It is clear to me that the compromise
is a very reasonable one under the circumstances.

MR. CRANSTON: I move its approval.

GOV. ANDERSON: Second.

MR. LEVIT: The compromise will be approved for
$5,000. Now, that ends our formal calendar, does it not?

You have some items of information.

MR. HORTIG: No sir. Calendar Item 7 - pages 43 to
46 -- I would like to call the attention of the Commission
to the fact that not only is the legislation which the
Commission authorized in general terms at the last meeting,
which has been introduced and the bills are set forth; but
there are also numerous other bills and more daily that
could affect the administrative cognizance or operations of
the Commission and, therefore, it is recommended that the
Commission authorize the Executive Officer to discuss these
measures with the authors and to attend the respective
legislative committee meetings for the purpose of reporting
facts and existing Commission administrative procedure and
regulations relative thereto.

MR. LEVIT: You are not suggesting that we either
support or not support any of this legislation?

MR. HORTIG: No sir.

MR. LEVIT: Well, in other words, all you are
suggesting is that you make known to the author that the facilities of the Commission are available for factual information?

MR. HORTIG: Both to him and to the committees hearing the bills.

MR. LEVIT: I can't conceive that there would be any objection to that. If there is no objection, why, you are authorized to do that. I assume that if any bills affecting the Commission's operations come to your attention that you think are of sufficient importance that the Commission should take a stand either for or against the legislation, you will so inform us.

MR. HORTIG: They will be a matter of special report to the Commission.

MR. LEVIT: Now, that brings us to the litigation report....

MR. HORTIG: ...which is an informative summary.

MR. LEVIT: Nothing new?

MR. HORTIG: Nothing new -- but to let the Commission know what the status of it is.

MR. LEVIT: The status is quo.

MR. HORTIG: I might point out that tomorrow I could report a little more. Today is the day for filing the affidavits and related documents in the case U.S. vs. Anchor, our major suit.

GOV. ANDERSON: Could I bring one thing up? There
was this investigation that's being made by the law firm
in San Francisco -- I know Bill Orrick is one of them there --
with respect to the question of boundary lines between
Long Beach and the Union Pacific and Edison Company.
That's roughly a year ago. What is the status of that?

MR. HORTIG: No report to the Attorney General's
office from the consulting firm. As I have informed Mr.
Zweiback, we are preparing a report on the status and
history of that entire operation for presentation to the
Commissioners and actually this generated from Mr. Zweiback's
inquiry in your behalf; and we have not submitted the
report because we did not have anything affirmative as to
a specific date for actual receipt of this consulting re-
port from the San Francisco firm you made reference to.

I think I have answered your question at the moment
and there are obviously more answers to come. To set the
thing in context, Chapter 2000, Statutes of 1957, directed
the State Lands Commission to undertake an investigation
and determination of the location of the boundary lines of
those areas granted by the Legislature to the City of Long
Beach starting in 1911. There was an appropriation to the
Commission. The Commission was authorized to employ inde-
dependent counsel -- which was, we felt, a redundancy in that
the Commission already has authority and has in the past
utilized it -- and upon proceeding with the initial investi-
gation under the particular statute and having completed the
historical review, it became very obvious that it was not an engineering problem. The engineering was all done and we had it completed and we had maps, but we had too many of them -- four, to be exact -- and the question was which one of the boundary lines on which one of the four was the legal boundary line. It was a legal question, so the Attorney General's office was asked to participate.

In the process of that review by the Attorney General's office, several theories were developed as to how to proceed legally and in order to be certain that there was a consensus on how to proceed, the Attorney General's office employed a San Francisco law firm as consultants to review and report and recommend, or produce counter proposals on these legal theories; and that last report has not yet, as we are informed, been received by the Attorney General's office.

GOV. ANDERSON: I am concerned actually with the statute of limitations, also on whatever royalties may be coming out of there. When Long Beach compromised this case over to the Edison Company, to the oil company there, they were promising something that they actually didn't have because they were our trustee at that time. So we should be getting some of these royalties, but the farther it is extended, the more we lose due to the statute of limitations. How far does that go?

MR. HORTIG: That, of course, goes back to the legal
question -- whether those compromises were effective; whether they are susceptible of being overturned at this time; or whether, again, some other statute of limitations has run; or whether the City wasn't in the position as the trustee to effectively make those compromises and if they are still binding on the State of California. All of this is in the vast series of questions which have been researched and which, as I say, are strictly legal questions.

I might point out there is one other factor I failed to mention in connection with this Chapter 2000. There was one requirement for a report to the Legislature as to progress and that was to be by February 15, 1958. The Lands Commission did report as of February 13, 1958, so the requirements of the statute for reporting to the Legislature have been met. There was no subsequent requirement in there for a report or action by the Lands Commission.

As far as the staff are concerned, we, along with the Commissioners, are concerned. We feel we must get an answer and we must have progress. As a result of our most recent inquiries, I think it's reasonable to assume that the Attorney General's office is in contact with their consultants with a view to giving us either a report or a very firm date in the very immediate future for that report.

MR. LEVIT: Is there anything to add to that, Mr. Joseph?

MR. JOSEPH: I don't know anything about all this.
1 I am sorry.

2 MR. LEVIT: That's all right. It seems to me we
3 have to rely on the Attorney General to see that we get
4 this report -- that they get the report.
5
6 MR. HORTIG: Well, it's our mutual indoor sport.
7 They build fires under us for some things and we do the
8 same.
9
10 GOV. ANDERSON: My feeling is this should be
11 brought to a head as soon as possible. We are losing
12 rights every month they are drilling if we don't bring it
13 to a head there. One other point if I can just ....
14
15 MR. LEVIT: Have we gone as far as we can with this
16 one? Now, would you care, Governor, to put this in the
17 form of a motion as to the intent of the Commission, the
18 consensus of the Commission, that steps should be taken to
19 give us a definitive report on the State's rights there in
20 the very near future?
21
22 GOV. ANDERSON: I would be very much in favor of
23 that. I so move.
24
25 MR. CRANSTON: Second.
26
27 MR. LEVIT: That will be the order, then. Will you
28 see that that is transmitted to the proper party in the
29 Attorney General's office and give them a date by which we
30 would like a specific report?
31
32 MR. HORTIG: Yes sir.
33
34 GOV. ANDERSON: Just one question. This is on
policy because I have had two or three people make some complaints about when they make application to purchase land and then they have to put up a deposit for the full amount apparently in order to hold it, and it sits there for some length of time; and apparently the policy is not to take a bond or any kind of surety, but cash. Is this the procedure?

MR. HORTIG: It is the procedure. It is difficult and it is possibly more difficult on applicants than the Commission realizes until I put some brief facts into the record here right now; and it is also the subject of staff study as to alternative procedures which might be recommended, which might ease the burden on our applicants -- as you have indicated.

Actually, the situation resolves itself into two principal categories -- applications for vacant State school land or the other pending applications to receive Federal lands, for which no new applications are being taken at the present time.

With respect to the vacant State school land, the difficulty arises primarily -- difficulties arise primarily when you have a large scale application such as the Commission considered this morning, on which Mr. Shaw is the applicant, where there are large amounts of land and therefore large amounts of money involved; and the Commission's policy of requiring deposit of 100% of the appraised price
as evidence of good faith is a standard policy which isn't too rough if someone is really of a mind to buy the parcel of land and is talking of something in the order of 40 acres. But when you get into thousands of acres, then this thing starts to be extremely difficult and the additional difficulty arises from the fact that with such large amounts of land it means that there is additional appraisal work necessary on a large amount of it.

GOV. ANDERSON: This runs out to almost a year sometimes?

MR. HORTIG: This extends the time, and with our economy problems we have had with respect to staffing, we have accumulated a considerable backlog because we have not been permitted under the ordinary staffing procedures to add additional appraisers comparable with the actual work load we have accumulated. We have this in part, I think, headed toward a solution in that some appraisal work is currently being done and will be done under appraisal contracts with outside appraisers under service contracts. Where the appraisal costs under the service contract are borne by the applicant, we can expedite getting these parcels out of the way. This isn't a total solution but it is a considerable step forward from where we have been in the last year and this outside appraisal by contract was just recently approved by the various agencies involved in those parcels. So we can be talking about funds on deposit for
a year or even somewhat longer in connection with vacant
State school land and which is certainly an excessive time,
and for which reason there is a staff study on as to
methods both to minimize the time and amount of money re-
quired in order for the Commission to be sure they have
a bonafide application and bonafide purchaser. This policy
resulted from where previously all it took was a letter
and we wound up time after time down through publication
costs in newspapers and all, and had no purchaser; and we
were out of pocket in having tried to sell some land that
no one was genuinely interested in, so this current policy
was established in order to preclude that, to get some
efficiency into these operations, and to be speaking only
to the bonafide applicants and not to shoppers.

The critical part as far as the deposits of funds
are concerned results from matters not under the control of
the State Lands Commission, that is, under the indemnity
selections whereunder the applicant applies to have certain
lands transferred on his behalf and they are sold to the
applicant at the appraised price, and there the applicant
makes an initial deposit of not less than $5 per acre; and
the sum total of the processing of applications and so forth
on behalf of the State of California going to the Federal
agency probably consumes a matter of thirty days on the
average, and then we sit and wait until we hear from the
Bureau of Land Management in Washington, D.C. -- and we may
wait six and seven years before we acquire title to those lands. This is despite regular inquiries as to status and so forth. We are just told "Well, it's so many feet down from the top of the pile and when we get to it we will get to it."

GOV. ANDERSON: The reason I brought this out, a party brought to my attention -- I forget the actual amounts -- but almost a year and a half ago, better than a year, he put up close to a hundred thousand dollars, which he had to raise with some difficulty, as a total deposit for school lands and at the then appraised price. I think every six months you have to have a new appraisal made. It has been sitting there close to a year and a half; he doesn't know when it is reappraised whether someone is going to go over top of him. This seems to me a hardship on people and might in the end discourage purchasers. I was thinking if there couldn't be a lower amount of deposit and a surety bond of some kind to make sure they go through with the deal, so people don't have to have their money sitting there, and they can use it.

MR. HORTIG: As I mentioned, Governor, there is a study as to alternatives, and as a matter of fact that study was initiated particularly because of the contentions and the results in a similar situation to that you are referring to -- same deposit, $100,000, on some particular lands, some of which are not appraised today.
GOV. ANDERSON: Maybe it's the same case.

MR. HORTIG: We agree the problem is there and we are chewing on the problem.

GOV. ANDERSON: When will the study be completed?

MR. HORTIG: We can approach this, of course, in one of two ways. We could continue to an ultimate, or we could do the other and probably arrive at a practical solution and set ourselves a target date and tell you that we will be back in with recommendations in not less than sixty days.

MR. LEVIT: Will this require legislation?

MR. HORTIG: No sir.

MR. LEVIT: I am not quite able to see the purpose of extended studies on it. It seems to me that it's a rather simple question and it's just a matter of policy as to what will protect the State for its costs and will not furnish an undue hardship on the purchaser.

GOV. ANDERSON: I wouldn't go out and raise money on a piece of property when I didn't know what the purchase price would be and have it sit in the bank in escrow for a year and get it back.

MR. CRANSTON: You'd find it hard to get it, too.

GOV. ANDERSON: I think it will discourage the purchasers.

MR. HORTIG: I think we will be back in with recommendations as to policy of the Commission at the March
meeting of the State Lands Commission.

MR. LEVIT: It seems to me that all you have to do is to set a percentage of value to be put into escrow, with a minimum figure.

MR. HORTIG: That is one of the alternatives. It is amazing how many ramifications the thing can have.

MR. LEVIT: Well, I probably don't realize them all.

MR. HORTIG: As I say, we will make it a definite point to have recommendations for the Commission at the March meeting.

MR. LEVIT: Is there anything further to come before the Commission? (No response) Anyone wish to address the Commission on any subject? (No response) If not, the meeting is adjourned.

ADJOURNED 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 fifty 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 February 24, 1959.

Dated: Sacramento, California, February 26, 1959.

Louise H. Lillico