TRANSCRIPT OF MEETING
OF
STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA
DECEMBER 22, 1960

PARTICIPANTS:

THE COMMISSION:

Messrs. Allan Cranston, Controller, Chairman
Glenn M. Anderson, Lieutenant Governor
John E. Carr, Director of Finance

P. J. Hortig, Executive Officer

Don Rose, Executive Secretary to Lieutenant Governor

STATE LANDS DIVISION:

Mr. Kenneth C. Smith, Public Lands Officer

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay L. Shavelson, Deputy Attorney General

APPEARANCES:

(In the order of their appearance)

Mr. H. H. Jock, Richfield Oil Corporation

Mr. David Diller, of Moss, Lyon & Dunn, Attorneys for Deep Springs

Mr. Gerald Descom, City Attorney, Long Beach

Assemblyman Richard T. Hanna re Huntington Harbours Item

Mr. John K. Wingate, Jr.

Mr. Robert Krueger, Counsel

Mr. John C. Hoffatt, Engineer

Reporter: Louise H. Millic
Division of Administrative Procedure
### ITEM CLASSIFICATION

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DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
MR. CRANSTON: The meeting will please come to order.
The Lieutenant Governor is somewhere in the air approaching,
but has not arrived yet so we will proceed.

The first item is the confirmation of minutes of the
meeting of September 29, 1960.

MR. CARR: I move.

MR. CRANSTON: It has been moved and I second that
they be approved, and it is so ordered.

Item 2 is permits, easements and rights-of-way to be
granted to public and other agencies at no fee pursuant to
statute. Item (a) is Pacific Telephone and Telegraph Company,
approval of location for an aerial cable crossing San Joaquin
River in Stanislaus County. (Governor Anderson arrived at
this point.) If there is no comment on item (a) we will
proceed to item (b) - State of California, Division of Highways,
two right-of-way easements for highway purposes, one across
San Joaquin River, Stanislaus County, (2) across Sacramento
River, Tehama County. Hearing no comment - - item (c) - U. S.
Army Corps of Engineers -- life-of-structure permit for mainten-
ance and operation of two jetties across tide and submerged
lands seaward of Bodega Bay, Sonoma County, for protection of
the bay; item (d) - United States Department of the Interior --
five-year permit for installation of a streamflow measuring cable
across the Sacramento River, Glenn and Butte Counties. That
concludes the items under (2) and if there is no discussion on
them, a motion is in order.
MR. CARR: I move authorization of items under (2).

GOV. ANDERSON: Second.

MR. CRANSTON: Approval has been moved and seconded and is unanimously carried.

Item Classification 3: Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental and fee policies of the Commission. Item (a) California Electric Power Company -- 49-year right-of-way easement for pole line across vacant State school lands, San Bernardino County; item (b) A. E. Gallo -- four two-year prospecting permits for minerals other than oil or gas, all in Kern County, one for eighty acres and three for one hundred sixty acres each of vacant State school land.

MR. MORTIG: Mr. Chairman, a technical correction: The lands involved will be former vacant State school lands which were purchased by Mr. Gallo but in which the State reserves the minerals.

GOV. ANDERSON: What kind of minerals would they be prospecting for?

MR. MORTIG: Any hard rock and commercial and industrial minerals that may be discovered. Depending upon the type of discovery, royalty rates would be established in relation to the minerals which might actually be produced under a preferential mineral lease which would be issued pursuant to statute if there is a commercial discovery under any of these permits.
MR. CRANSTON: If there is no further comment —

Item (e) Monterey Oil Company, assignment of interest in oil and gas leases itemized in the notation here.

MR. HORTIG: Mr. Chairman, I would like to direct the attention of the Commission to the specific and detailed recitation of the interests to be assigned, as outlined on pages 15 and 16 of the calendar, resulting from the fact that Monterey Oil Company is being acquired by Humble Oil and Refining Company, and the recommendation as it appears on page 16 carries the specific authorizations which the Commission should authorize the Executive Officer to undertake in terms of approving the documentation in order to accomplish completely, effectively and legally by the desired deadline the required assignment approval. The format of all of the certifications, all of the documentation, has been approved as to form by the Office of the Attorney General.

MR. CARR: Does this require separate authorization, Mr. Hortig?

MR. HORTIG: It might be preferable to have separate authorizations on this and also the next one and (h) in Item 3.

MR. CARR: Mr. Chairman, in order to catch up with ourselves, I move the authorizations through (a) and (b) and later move these others.

GOV. ANDERSON: I'll second (a) and (b).

MR. CRANSTON: Approval of Items (a) and (b) is moved, seconded, and unanimously ordered.
MR. CARR: Mr. Hortig, should we move separate
authorizations of (c), (d), (e), or how?

MR. HORTIG: It will not be material as long as the
Commission's resolution indicates that each and every specific
item under the group approval is being approved, if this is
the case, in accordance with the resolution form recommended
on the specific calendar items.

GOV. ANDERSON: Now I understood the assignment of
the one Monterey to the Humble Oil Company and the second one
is to Texaco, so the explanation wouldn't be quite so simple.
The next one down is Standard Oil to Shell Oil. What do we
do in the case of assignments? Do we expect any additional
fee or is this just a matter of course?

MR. HORTIG: It is now only taken as a matter of
course, where the proposed assignee is a fully qualified
assignee and able to perform the terms and conditions of the
lease completely, as the original lessee had been able to do
and was expected to be able to do at the time the Commission
awarded the lease pursuant to competitive public bidding.
Approval of assignments is authorized by the statute and is
provided for in the individual leases as issued.

MR. CARR: It is stipulated in the resolution that
they are qualified assignees -- that's my understanding.

MR. HORTIG: This determination is made before the
recommendation for approval, Mr. Carr. With respect to the
second assignment Governor Anderson referred to, Monterey so
Towaco, this item might be more clear to the Commission if we had requested approval of assignment of one lease to Towaco, Inc. in one instance and then the balance of the holdings to the Humble Oil and Refining. Those two assignments together will transfer all interests in all State leases held by the Monterey Oil Company -- the one to Towaco, Inc., and the balance to Humble Oil and Refining.

GOV. ANDERSON: What review do we have when a company asks for an assignment of lease? In our original lease form do we have the right to evaluate and the right to refuse, or not?

MR. HORTIG: Inasmuch as the assignments are valid only when approved by the Commission, for cause the Commission could withhold approval of assignment; as, for example, if it were approval, as is obviously not here the case, if it were approval to assign to a potential lessee-operator where the Commission had reason to believe that the terms and conditions of the lease could not be complied with and where effective development would not be prosecuted as a result of the assignment, the staff recommendation would be and we presume the Commission recommendation would be not to assign.

GOV. ANDERSON: That would be where the lessee would not be as good as a former lessee. I am thinking of where conditions would develop where possibly we could get a better royalty rate. Is there any possibility of changing the lease?

MR. HORTIG: With respect to modification of the
lease terms, there are two conditions in all existing State
oil and gas leases. These may be modified by mutual consent
between the parties or in some leases -- which are still in
existence and which will be before the Commission for renewal
periodically -- by their terms they may be renewed on such
reasonable terms and conditions as the Commission may then
specify. At that time the Commission could and would, and
the staff will recommend with respect to any desirable modifi-
cations with respect to those leases; but in connection with
the authority for approval of assignments, the authority is
to approve assignment of the lease contract in toto as it
exists, without modification -- except, if as I stated, under
the provision of mutual consent the applicant should desire to
make an application for modification and then the Commission
can consent; but there is no initial authority in the Commis-
sion to request a modification at the time of assignment.

I believe Deputy Attorney General Shavelson here
can confirm this and can be more specific if you desire further
explanation.

MR. SHAVERSON: I'd just like to add one thing.

There is specific provision in the Public Resources Code,
Section 6204, that provides for the assignment of oil and gas
leases. It says that they may be assigned with the approval
of the Commission. I would say that normally the Commission's
determination that the State would be fully protected by the
assignment, in other words be as well off as it was before --
once that determination is made ......

GOV. ANDERSON: ... that would be the end of our power?

MR. SHAVERSON: Yes.

GOV. ANDERSON: In other words, if prior to the assignment we could get a better lease arrangement we couldn't have that power?

MR. SHAVERSON: I don't think that would be proper under Section 6804.

MR. ROSE: May I ask a question on this? I believe we have a standard lease form that we use. Is it standard practice to put an assignment clause in our leases when drawn — that is, the right of assignment?

MR. HORTIG: This is required by statute as a lease condition. It is included.

MR. ROSE: In various transactions it is sometimes the bargain matter; very often it is not desired by the person giving the lease. But if that is in our standard lease form, that does dispose of the matter unless the Commission ....

MR. HORTIG: It is required by statute to be in our standard lease form.

MR. CRANSTON: Pending matters are item (c) — Monterey Oil Company assignment, (d) Monterey Oil Company assign-

ment, and item (h) Standard Oil Company assignment to Shell. Motion is in order for these three items, if that is your desire — to dispose of them together.

GOV. ANDERSON: I move.
MR. CARR: Second.

MR. CRANSTON: Items (c), (d), and (h) are moved and seconded, and unanimously approved.

Turning to item (e), Richfield Oil Corporation -- deferment to October 25, 1962 of drilling and operating requirements under Oil and Gas Lease P.R.C. 1466.1.

MR. HORTIS: As outlined on page 19 of the calendar, this lease, while issued pursuant to competitive public bidding on August 29, 1955, has yet failed to disclose commercial production after expense of offshore exploration and slant drilling of test wells from the adjoining uplands..... excuse me, I am on the wrong calendar item.

This lease, which was issued at Rincon Field in Ventura County, is one or two items earlier, and has been substantially but not completely developed from an offshore island, which the Commissioners have inspected, at Rincon. It is now apparent that there may be difficulty in fully developing the total area of the lease from the site of the one island and it is proposed that studies be undertaken as to possible further exploration and development from mobile marine equipment and other completion techniques prior to continuing with drilling from the island; to permit such study and to permit the lessee to retain possession of the lease without being in default because of the lease requirements to drill a specified reasonably continuous program; to permit halting of that drilling program on the island while this evaluation is going on, it is
recommended that there be granted a deferment of the drilling requirements under the oil and gas lease to October 25, 1962, with the anticipation that drilling will be resumed, in fact, at an earlier date.

GOV. ANDERSON: What drilling requirements actually will be deferred? I mean what if we didn't give this deferment? What would they be doing between now and October 25, 1962?

MR. HORTIG: We now must assume an intent on the part of the lessee. There are several alternatives that could be carried on by the lessee: The lessee could remain inactive on the drilling, pursuant to which the staff would report to the Commission that the drilling requirements ......

GOV. ANDERSON: They are inactive now?

MR. HORTIG: They are right at the point now where they should be drilling another well and are not.

GOV. ANDERSON: When did this inactivity start, actually?

MR. HORTIG: Within the last month. In other words, within the last month another well should have been commenced. At this time, in lieu of commencing another well, an application was filed requesting this deferment.

GOV. ANDERSON: Another well should be started now, and between now and '62 normally how many wells would we expect to have started?

MR. HORTIG: This would be difficult to say precisely, governor, for the reason that as long as they are actively
drilling a well, sometimes when they are in trouble, particularly on a deep well, it may give them six months in order to complete an additional well. On the other hand, a series of shallow wells — for which there are no reasonably justifiable locations from the island — could be completed in a shorter period of time.

GOV. ANDERSON: We are talking about almost a two-year deferment.

MR. Hortig: That's correct. I believe the representative of the lessee is here — In the opinion of the Commission, if a less lengthy deferment is desired and the justification for that lesser deferment time would be reasonable, I would presume the lessee would.....

GOV. ANDERSON: This is what I think: It seems to me if they want to do some exploring out there, they could do it in a matter of months and not almost two years.

MR. HORTIG: There are, of course, problems of development of techniques in which the Commission is also interested, on which — even with a diligent exploration and development activity going on — it could take this long.

GOV. ANDERSON: If it did, then we could give them another extension; but it seems to me we should be in the driver's seat enough so that if we give them a six-month extension, then in six months we can look at it again. If we say two years, we might as well say five years.

MR. HORTIG: No sir. The staff estimation would be
that this would be excessive in view of reasonable probabilities if diligent operation is carried on and diligent exploration and development is carried on, for which reason the two-year period would not appear excessive, but any longer period than that would. For this purpose, I suggest if the Chairman would wish to call on the representative of Richfield Oil as to acceptability of a period of shorter deferment or any possible justification for the period here recommended, this explanation might be helpful to the Commission.

MR. CRANSTON: We would be very happy to hear from a representative of Richfield if there is one who wishes to speak.

MR. COOK: Mr. Chairman, I am K. N. Cook, Richfield. The purpose of this deferment is to eliminate the sixty-day interval between the completion of one well and the commencement of another. The development of the new techniques to be used for ocean floor completions, that type of thing, requires more time between wells. For your information, we have applied already to the Army Corps of Engineers for a permit to drill a well west of the island. This will be started probably some time in January but you see we are in default on the sixty days in between wells.

GOV. ANDERSON: Well, that's sixty days. This is two years.

MR. COOK: Well, this is going to be a continuing thing. When we finish this well, there will be new developments
that will take probably more than sixty days to start another well....

GOV. ANDERSON: ... which should be considered at that time.

MR. CARR: When the Governor is through ..... 

GOV. ANDERSON: I am through, John, I am just asking.

MR. CARR: It says here on these forty-six producing wells -- "It appears that the wells heretofore drilled can drain all of that portion of the producing structure adequately that can be developed economically from the island drillsite."

Now, I believe that the requirements are that any of these oil fields be developed according to their maximum efficiency.

MR. HORTIG: That's correct.

MR. CARR: The question I would like to ask: If you are covering all of the area that can be produced from this island drillsite, does that accomplish the intent of this maximum efficiency formula? Are you getting that oil out of there as fast as you can with forty-six wells as you would with forty-eight or fifty? You are going to the outer edges of the island to develop this?

MR. COOK: That is correct. As to the efficiency of the forty-six wells, the lease calls for one well to each fifteen acres and there are three producing zones in that field and there are three wells producing from each of those fifteen-acre spacings.

MR. CARR: I am a little bit slow. I am not very
good at mental arithmetic. How many wells in how many zones does your lease call for from the island or from some other site?

MR. COOK: Well, there is a qualifying statement in the spacing provisions. It calls for one well to each fifteen acres down to a depth, I believe, of six thousand feet; and one well to each thirty acres below six thousand feet.

MR. CARR: Well, now, this relief that you are seeking here -- would that result in the production of the whole field at a more rapid rate than if you don't get this? If you don't get it, what would you do -- put in more islands, or are you anxious to explore this underwater production?

MR. COOK: That is correct. We want to eliminate the four million dollars another island would cost.

GOV. ANDERSON: You are going to start in January with the underwater well?

MR. COOK: That is correct. We don't have the boat.

GOV. ANDERSON: How long does this operation take?

MR. COOK: You mean drilling the well? Well, I understand this is to be a deep test and to say how long it is going to take would be very difficult.

GOV. ANDERSON: Would you be normally starting in six months?

MR. COOK: Oh, yes.

GOV. ANDERSON: Well, then, why would you need two years' lapse in time if you were starting to drill by
assumption is if they start to drill, Mr. Hortig, under this new method, they would be living up to our requirements with the exception of the sixty-day lapse of time.

MR. HORTIG: That's correct.

GOV. ANDERSON: Why would they need two years?

MR. HORTIG: Because the ultimate program that was designed was that if and when this deep test is finished and if there is production, it is anticipated and hoped -- if the well were producible, it would be hoped that the engineering developments would be completed which might permit completion of this well on the ocean floor without necessity of building a new island; and the actual engineering development of that technique and the additional approvals of the Lands Commission in order to permit its placement, and the approvals of all of the other regulatory bodies in what might be in this instance the first of its type to be completed, could carry over into this deferment period.

GOV. ANDERSON: If they have started their drilling in January, then they are back in good graces again and if it takes them four to six months to develop this thing they are still living within the requirements because they are actually making progress -- they are drilling. It would seem to me this study would be going on simultaneously.

MR. HORTIG: They are, but we have no absolute control of the timetable for completing these studies and being certain we have finally designed this type of equipment that can be
applied with complete safety, as it must be off the California
cost. So there is just a factor of safety in timing it. On
the other hand, I might suggest an alternative program, which
I think complies with your thinking on this, with a reasonable
deferment of ninety days or thereabouts to get a well started
again........

GOV. ANDERSON: Or even six months. I'd have no
objection to six months.

MR. HORTIG: .... and then a further determination as
to what additional time may be necessary because the staff
recommends it to assure complete engineering safety before that
well is completed -- which would keep the entire control of
this operation in the hands of the State Lands Commission with
respect to timing without creating, I believe, any undue oper-
atting hazards for the lessee.

MR. COOK: That would be acceptable.

GOV. ANDERSON: Are you in agreement with this state-
ment here: "It appears that the wells heretofore drilled can
drain all of that portion...." -- Do you feel the statement
he made that forty-six wells drilled on the island can do as
well as forty-eight or fifty, as Mr. Carr asked?

MR. HORTIG: Whether these wells can do this in
compliance with the requirements of the Lands Commission is
under evaluation, and the staff does not necessarily concur.
The evaluation may determine that this is correct and is the
case. The minimum number of wells to comply with the well
spacious on so much of the lease as has been developed has
been complied with, as outlined by Mr. Cook. I am certain
that if our evaluation indicates that maximum efficiency rate
of production in some of the zones requires additional wells,
which means that additional oil will be produced, our lessee
will drill those wells after that evaluation is made; but this
is really a separate operating issue for the existing portion
of the lease, whereas the discussion with respect to deferment
of drilling requirements is to permit the development of the
techniques to complete more economic development of the balance
of the lease heretofore undeveloped.

GOV. ANDERSON: If we find the new ocean floor
technique isn't good and then we can come back to the island,
how many more wells can be drilled from that island?

MR. HIORTIS: Actually within the range of drilling
from the island, more wells can be drilled than probably can
be justified to be drilled from that island, creating an over-
saturation effect in the area already developed. In the area
which Richfield wishes to explore from mobile marine equipment,
no wells can be drilled effectively in that area from the
existing island. If the mobile equipment and ocean floor
 technique should prove unsatisfactory, a new island or structure
would be required.

GOV. ANDERSON: In other words, if the ocean floor
technique isn't satisfactory, the next thing would be to build
another island rather than put more wells on the island.
Forty-six is your maximum?

MR. HORTIG: The area proposed to be explored just can't be reached from the geographical location of the island. Whether forty-six have already covered the island is a subject of evaluation. It may be enough and may be all the wells that may be drilled from the island. There is room for a hundred wells to be drilled from the island on the surface, but no place to go subsurface that can be justified economically.

GOV. ANDERSON: So even if they might find ocean floor technique is good, you still might find that you need further wells to cover existing area that is developed. When will you know this?

MR. HORTIG: In about another forty-five days the staff evaluation will be ready.

MR. CARR: Mr. Chairman, I read this application to mean more or less this: That if the Commission grants this deferment they are actually participating in the research program to see if these subsurface developments are practical. I believe the State has an interest in that. I think we all believe if this technique is successful it will assist in accelerating development of the other fields up and down the coast and also be more economical, so the oil companies can afford to pay a higher bonus for the privilege. Is that right, Mr. Hortig?

MR. HORTIG: We would be happy to have that fortunate combination of circumstances, yes sir.
MR. CARR: It could turn out this would be in the interest of the State. From a purely selfish standpoint, though we don't always take that attitude, it would seem to me we would have an interest in these subsurface developments. If we don't develop anything as far as the present island and we do participate in accelerating the production of offshore fields by more economical methods, we would be justified in granting this deferment.

GOV. ANDERSON: I think we would be justified in granting a deferment but not this long. I wouldn't want them to sit on it. My feeling is that ninety days or six months would be satisfactory for them to see what this technique looks like.

MR. CRANSTON: Do you want to make a motion?

GOV. ANDERSON: If it is satisfactory to the rest of you, I would move the deferment date be moved to six months from now, rather than two years from now.

MR. CARR: I'll second it.

MR. HORTIG: For good round numbers in the months, Mr. Chairman, might I suggest the deferment date be to June 30, 1961?

GOV. ANDERSON: I'll so move -- to June 30, 1961.

MR. CRANSTON: I'd like to inquire if that is satisfactory to you.

MR. COONS: You, we will accept that all right. The thought of the two-year deferment was that it would save us
coming back every six months asking for another.

GOV. ANDERSON: If you have to come back, come back and let us look at it again.

MR. CRANSTON: I would like to assure you I believe the Commission will give you every possible cooperation with relation to undersea drilling for the reason John mentioned, to aid in the development, and also to retain the beauties of the coastline. So please don't hesitate to ask for any cooperation you need from us. I also vote for the motion and it is unanimously approved.

MR. HORTIG: Mr. Chairman, might I suggest that consideration be given next to item (3), which is another deferment with similar problems, if not completely analogous, as long as these items are before the Commission.

MR. CRANSTON: Item (3) is Signal Oil and Gas Company--Deferment to January 1, 1962 of drilling and operating requirements under Oil and Gas Lease P.R.C. 1551.1.

MR. HORTIG: This is the lease on which I inadvertently started out -- that while it had been issued in 1955, no commercial production has yet been discovered despite the drilling of exploratory wells into the area and the application of various types of geological and geophysical exploration techniques. The area is not being drained by wells on the adjoining lands operating currently, and the lessee -- in which interestingly enough Richfield is a participant in this lease, although Signal Oil and Gas Company are the operators -- have requested
deferment of drilling and operating requirements for another
year, during which time it is proposed the latest in geo-
physical techniques will be applied for further exploration.
Some of the equipment is already in operation on the Pacific
coast but is under contract until next year, and it will be
1951 before the operator can contract for this equipment for
this specific area and then determine from the results whether
to quitclaim the area to the State or further drilling would
be justified.

The alternative of the cancellation of the lease,
which is within the province of the Commission, would simply
return to the Commission's index another six hundred forty
acres of vacant tide and submerged lands and the loss of the
annual rental which would be paid otherwise in the amount of
$647.

GOV. ANDERSON: Now, this was another 1955 lease.
They abandoned the second well in 1956. What, actually, has
been done since that time?

MR. HORTIG: Spasmodic and periodic geological and
geophysical exploration and evaluation of the regional geology
which might affect this lease resulting from other wells
drilled in the general area.

GOV. ANDERSON: In fact, that doesn't mean very much,
does it?

MR. HORTIG: It's all that's been able to be done.
Currently there is in California, as I said, a new series of
geophysical instrumentation which will be available under service contract next year, which the operator would use to again re-explore this particular area if they still have the lease.

GOV. ANDERSON: Well, obviously there must have been a deferment from April 1956 until when it was deferred again in 1959.

MR. HORTIG: There have been annual deferments by the Commission.

GOV. ANDERSON: From '56 on through?

MR. HORTIG: Yes sir.

GOV. ANDERSON: What is our policy? How long do we keep this up?

MR. HORTIG: As long as there is hope in the lessee and as long as there is no detriment to the State's position in terms of having the lease undeveloped. With the anticipation of further geophysical exploration, this will give the lessee a better basis for determining whether to surrender the lease or continue paying rental.

GOV. ANDERSON: What rental do we receive?

MR. HORTIG: $647 a year.

GOV. ANDERSON: For what?

MR. HORTIG: Six hundred forty-seven acres.

GOV. ANDERSON: A dollar an acre a year rental?

MR. HORTIG: Yes sir.

GOV. ANDERSON: And if this were not deferred, if
they gave up the lease, would there be any possibility that someone else might be interested in it?

MR. HORTIG: No sir; and, additionally, the bid as offered originally on which this lease was awarded, if there were production, was a substantial and good bid and the State would receive a reasonable return from the production if any production is ever developed from these lands.

GOV. ANDERSON: Then it would be your feeling that it would be to the benefit of the State that this lease be continued or deferment granted, is that correct?

MR. HORTIG: That is correct, Governor, on this basis -- that if the lease is quitclaimed, it will simply be an addition of 640 acres (there are seven acres of park land involved; that's the difference between six forty and six forty-seven in my quoted statistics) - - 640 acres of vacant tidelands would be added to the inventory of the State Lands Commission, which already has something over nine million acres producing no revenue whatsoever and with no foreseeable prospect for development. Contrary to that, if this lease is continued, there will be exploration next year and small though it may be the State will still benefit to the extent of 647 rental.

MR. CHABOT: Motion is in order.

GOV. ANDERSON: I'll so vote.

MR. CHABOT: Second.

MR. CHABOT: Approval is moved and seconded, and
is unanimously adopted.

MR. CRANSTON: Now we have (f)?

MR. HORTIE: If you wish to go back in the sequence.

MR. CRANSTON: Shell Oil Company, item (f) — Modification of submarine geophysical exploration permits R.R.C. 2485.1 (A), (B), (C), etcetera, to provide for use of alternate explosives.

MR. HORTIE: Shell Oil Company and other operators have geophysical exploration permits heretofore issued by the Commission, some of which were modified to permit the use of alternate explosives under conditions which are also controlled by Department of Fish and Game permits. The permits under consideration here today were issued prior to the later modification of permits, and the recommendation is that all existing permits be made uniform to permit the use of the same type of explosives which are now only authorized in the latest permits issued. These permits under consideration today were permits that were issued and extended as to time and were originally issued before conclusion on the feasibility of using the alternate type of explosives specified in the permit.

MR. CRANSTON: We don't need action on each item as we go along. If there is no discussion on that, we will proceed to item (l) — Solano Boat Club — ten-year lease for cost marine, approximately 0.732 acre tide and submerged lands in Solano Slough, Suisun City, Solano County.

MR. HERTHA: As directed by the Commission, the Shell
Craft Harbors Commission was informed and also other respective divisions with respect to the pendency of this application and no objection was made or suggestion that this program would conflict with any of their plans has been received.

MR. CRANSTON: Item (j) -- Vistario Corporation -- Assignment to Producing Properties, Inc. of undivided one-half interest in oil and gas leases.

MR. MCINTYRE: Technical correction -- the application has been modified for assignment to Producing Properties, Inc. and Howard Corporation, both qualified corporations to receive the assignment.

MR. CRANSTON: Item (k) -- Trustees of Deep Springs, Administrators for Deep Springs College -- Six right-of-way easements for transport of water across portions of school lands, Inyo County, at a total rental of $388.57, as itemized in the calendar.

MR. MCINTYRE: Mr. Chairman, you will recall at the last meeting of the Commission request was made for deferment of consideration as to the proposed issuance of these easements to provide an opportunity to determine what alternatives might be available to the State Lands Commission to provide protection with respect to the easements after the 40-year term, which the State Lands Commission at that time would have authorized. This again was referred to the Office of the Attorney General for study. We find it is unnecessary to report to the Commission today the results of any suggestions.
as to alternatives, because the trustees of Deep Springs
individually contracted with or agreed, or in whatever manner
they are prepared to report here this morning, with the
potential purchaser of the underlying fee and have an agreement
which, it has been reported to us, satisfactorily covers the
question of what happens after forty-nine years, which was
raised at the last State Lands Commission meeting; and, there-
fore, there is no State Lands Commission action necessary to
provide any protection after forty-nine years. The attorneys
for the Deep Springs administrators are here this morning to
report as to the agreement and as to acceptability of the
issuance of the proposed easements as here recommended by the
staff.

MR. BOLLER: Mr. Chairman, gentlemen, I am David
Boller of Moss, Lyon and Dunn, attorneys for the trustees of
Deep Springs School. As has been pointed out, the sole ques-
tion that we had was the continuation of the 49-year easement
into perpetuity. We have worked out an agreement with Mrs.
Burke, the purchaser -- the applicant for purchase of the
property -- and her attorney, Mr. Molan, assures me that that
agreement has been signed and has been delivered to our office,
so we are in entire agreement.

GOV. ANDERSON: I'll move that.

MR. CHAIR: Second.

MR. CHASTAIN: Approval is adopted on those items
under Item Classification 3 on which we have not yet acted

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this morning. If there is no further discussion of these items, they are all unanimously approved.

We come now to Item 4 -- Sales of vacant State school lands. All land sale items here presented have been reviewed by all State agencies having a land acquisition program and, unless otherwise indicated, no interest has been reported by those agencies in the lands proposed for sale.

Item (a) - Adrienne C. Burke, subject to easements as indicated, appraised value $4,704.60, bid $4,704.60.

MR. HORTIG: Including, Mr. Chairman, these being the specific lands over which the easements have just been approved by the trustees of Deep Springs School -- so that the sale will be subject to both these easements and easements previously approved by the State Lands Commission and exempted from the original application and bid an area also conveyed heretofore with the approval of the State Lands Commission to the Division of Highways for a highway maintenance station.

MR. CRANSTON: Item (b) John E. Bennett, appraised value and bid $14,080.

MR. HORTIG: Mr. Chairman, there has been a request from Mr. Bennett to consider the final acceptability of the sale with the required statutory and constitutional reservations and it is, therefore, recommended that consideration of this item and the disposal of this particular parcel be deferred to the next meeting.

MR. CRANSTON: Without objection it is so ordered.
MR. CRANSTON (continuing) Item (c) Karl J. J. Cekada -- appraised value and bid $8,000; item (d) Karl A. Cekada -- appraisal and bid $2,400....

GOV. ANDERSON: Are these the same person?

MR. SMITH: No....

MR. HORTIG: Two different applicants.

MR. CRANSTON: Item (e) Grace N. Day -- appraisal and bid $35,840; item (f) Ben Hednick, et al -- appraisal and bid $3,200; item (g) L. W. Montgomery -- appraisal $452.25, bid $482.40; item (h) Roddiscraft, Inc. -- appraisal and bid $26,560. If there is no discussion.....

GOV. ANDERSON: I'll move them.

MR. CRANSTON: Approval is moved....

MR. CARR: Did you move?

GOV. ANDERSON: Yes.

MR. CARR: Second.

MR. CRANSTON: That excluded (b). Item Classification 5 -- Selection of vacant Federal lands for the benefit of the State: (a) 40 acres in Mendocino County. Application of Frank P. Donahue cancelled at his request; item (b) 179.52 acres in Shasta County -- application of H. L. MacTaggart disqualified for failure to deposit required funds within specified period. Motion is in order.

GOV. ANDERSON: I'll move.

MR. CARR: Second.

MR. CRANSTON: Approval is moved, seconded, and
unanimously approved.

Item 6 -- Negotiated settlement of pending litigation entitled People of the State of California vs. Hudson A. Stover, et al, Humbold County Superior Court Case No. 33195; defendants to pay State $40,000.

MR. HORTIG: Mr. Chairman, a considerable historical novel on pages 43 to 47 details the situation, the problem having resolved around whether or not, deliberately or accidentally, with deficiencies both on the part of a contract appraiser formerly retained by the State and misunderstandings on the part of the applicant, certain lands which were purchased purportedly as vacant and potential grazing lands turned out in fact to be timbered lands, from which the timber was removed by the purchasers. Litigation was requested to seek return of the proceeds from this operation -- litigation which was instituted by the Attorney General's office for the State Lands Commission.

The parties involved have offered to settle, rather than to proceed with opposing the litigation, by paying the State an additional $40,000; returning the parcel of land that was improperly classified, for which they had also paid the State an additional $1,300-plus, and retaining title to another parcel of land in which the sales transaction was complete, clear, and in accordance with the facts. The Office of the Attorney General is recommending acceptance of this settlement rather than prosecution of the litigation.
GOV. ANDERSON: What were we suing for?

MR. HORTIG: Return of the lands and return of the profits.

GOV. ANDERSON: What would that have amounted to?

MR. HORTIG: Do you recall the total amount, Ken?

MR. SMITH: Approximately $100,000.

GOV. ANDERSON: That would be the value of the land?

MR. HORTIG: And the timber before having been harvested.

GOV. ANDERSON: And we settle that for $40,000?

MR. CRANSTON: Does your description of this as a historical novel mean it is fiction or fact?

MR. HORTIG: No, it's fact -- historical novel based on fact.

GOV. ANDERSON: I'll move it.

MR. CARR: Second.

MR. CRANSTON: Approval is moved and seconded, unanimously adopted.

Item 7 -- City of Long Beach, approvals required pursuant to Chapter 29/56, 1st E. S.: (a) Approval of additional expenditure from the City's portion of the Tideland Fund of $37,632, but not to exceed 56.64% of the additional cost, for construction of a bridge over the north arm of Alamitos Bay, to provide access to the Long Beach Marina.

MR. HORTIG: Under the terminology of the Appian Way bridge project, this will bring some memories to the commission.
of prior discussions and at which time on consideration and pursuant to opinion of the Office of the Attorney General that this item was properly within the scope of the Commission to consider for approval pursuant to Chapter 29 of the First Extra Session in 1956, the Commission authorized a specified amount of money to be expended from the City's portion of the tidelands funds, the City of Long Beach's portion of the tidelands funds, in connection with the project.

Recently received actual construction bids show clearly that if the project is to be undertaken and a contract awarded, more funds are going to have to be necessary than were approved by the State Lands Commission and it is here being recommended that the Commission augment its prior approval in order that the City may award the contract and proceed with the project.

GOV. ANDERSON: What was the prior amount?

MR. HORTIG: If I may refer to the page -- $87,200 approved May 24, 1960. No, excuse me -- the original amount on October 29, 1959 was $190,000; then for a phase of the project additionally the Commission on May 24, 1960 approved an additional $87,200, and now on the contract bids to complete the project an additional $37,632 are estimated to be needed.

In any event, the final total amount which will be allocated and approved finally is still going to be dependent upon the results of a traffic study after the project is completed and it can be determined with reasonable accuracy how much traffic
uses the project as through traffic going from Long Beach to other places and how much of it is traffic in relation to the Marina project, which is a project that was specifically approved by the Legislature for construction by the City of Long Beach.

GOV. ANDERSON: The original estimate we were given was $190,000?

MR. HORTIG: Yes sir.

GOV. ANDERSON: Then we gave an additional amount later in May of $37,000?

MR. HORTIG: That is correct.

GOV. ANDERSON: Now an additional $37,000. Isn't this awfully loose figuring on someone's part?

MR. HORTIG: This comes about for the reason, if I may quote from the calendar item: "On November 2, 1960 bids were opened by the City for construction of the bridge with the low bid being $334,174.95, which is $64,175 above the previous City engineer estimate." And it was on the previous City Engineer estimate that we had made the prior recommendation to the State Lands Commission because those were the only estimates available at the time prior approval was required.

GOV. ANDERSON: Since that time we have allowed an additional $37,000, now an additional $37,000. Looks like some awfully loose figuring on somebody's part.

MR. HORTIG: The item, I believe, would be of greater concern to the Commission if the control wasn't there -
that the actual amount is still under the control of the Commission and finally will be allocated in relation to the actual qualified utilization of the project, in which event, if the amount finally approved by the Lands Commission should be lower than heretofore allowed, the City is just going to have to provide other financing for the balance. These are not final amounts approved by the Commission. The amount finally approved by the Commission will be no higher than and may be less than these.

This is the way cost bids are coming in and continuously increasing. The Commission will remember the convention and exhibit center approved by the Commission and the disparity between the estimates and the bid price was tremendous in comparison to the disparity here -- the problem being the Commission's approval must be a prior approval, so it must be before any actual bids.

GOV. ANDERSON: When their engineer estimates it, do you check it?

MR. HONTIG: We check it reasonably and in addition the City had on this also a consulting firm in on the estimate who were equally shocked at the disparity between their estimate and the construction bid.

GOV. ANDERSON: When they make an estimate, do they make an allowable increase for rise in construction costs?

MR. HONTIG: Yes. If I may quote from the consulting engineers to the City of Long Beach, as an explanation of
how this came to be, the people who actually designed the proposed structure and estimated its original cost stated back to the City Engineer on November 30, 1960: "Almost all of the difference between the three low bids and our estimate of total cost can be accounted for by the difference of opinion as to the cost of unwatering and the cost of cofferdam construction. This item is always a matter of opinion, and it appears that the assumptions upon which our estimate was based for this one item must have been incorrect since the three low bidders are experienced in the area and we cannot disagree with the methods used by these contractors to estimate their costs of this item of work. After fully reviewing the bids received, we conclude that nothing can be gained by either a redesign or a rebidding, and recommend award to the low bidder." And our own review was subject to the same problem. Our own review coupled with that of the City Engineer, based initially on the review of the design by a firm of consulting engineers, was low compared with the lowest bid actually received when the bids were finally received.

MR. CARR: Mr. Chairman, I can only say that I share Governor Anderson's distress in this area and I think I maybe have seen a little more of it than he has. It just happens at every meeting of the Public Works Board we have these requests for augmentations for construction purposes or foreland purchases because the original estimates of what these things are going to cost seem to fall way below what they actually
get them for. We had a situation here in Los Angeles with a
swimming pool for the State College and various other things
and it is pretty hard at the moment to justify these things;
but when you run them back down again you don't get anywhere.
I don't know what our action ought to be. Maybe we ought to
turn them down for six months and see what happens. Business
is poor, economy is bad, and everybody is waiting for prices
to go up.

GOV. ANDERSON: Do you think this is costs going up
or poor figuring in the first place?

MR. CARR: I think it is both. I think the figuring
is poor and in trying to put the budget together here for the
Department of Finance I think it is reasonable to suspect,
shall we say, that some of these programs get going on these
lower estimates than maybe the people think they are going to
be; maybe they think they will get it authorized and encumbered
and come back and get an augmentation. It's hard to determine
what is going on here but I think it is a little of both.

MR. HORTIG: Mr. Chairman, I would like to add,
particularly in response to Governor Anderson's question, this
difficulty of precision in estimates is just the reason that
the resolutions of the State Lands Commission indicate that
these approvals are on an estimate basis, that the amount
actually and finally to be allowed in any of these items will
be the amount that can be calculated precisely after audit and
rigorous engineering review after the project has been
constructed, provided that the project is approved in the
first instance as one that is approvable in principle.

Additionally, in the specific instance the Commission is here
considering whether or not to approve an augmentation not in
expenditure of funds which would flow to the State of Cali-
ifornia, but only from the City of Long Beach's share of tide-
land revenue funds which they have in a separate trust fund.

GOV. ANDERSON: I recognize that. I recognize that
we probably have to go along and do it. I just don't like
this kind of loose figuring. It just doesn't seem good.

MR. HERTIG: I can only concur with your concern,
Governor. We have felt that because of the control that the
Commission does have; because of, as we have cited, specifically
on recommendation of the Office of the Attorney General, this
condition is in every resolution with respect to one of these
projects -- subject to the condition that a final determination
of the costs to be paid in this case from tideland funds will
be made upon the basis of a traffic study to be conducted --
in conjunction with the other items still to be considered by
the Commission, the reservation condition which is uniform in
all of them "... that the amounts deductible will be determined
by the Commission upon an engineering review and final audit" 
subsequent to the time when the work under any of these items
is completed, at which time all the factors that make an
accurate determination possible are available -- under these
circumstances, then, the question is: Is additional staff time
and additional review to make a more rigorous estimate worth
while.

MR. CARR: Mr. Chairman ....

MR. HORTIG: The question is, is the project
approvable in principle.

MR. CARR: There are various representatives of the
City of Long Beach here. One of our problems in government
today, whether it is at a State or local level, is: When do
you blow the whistle on these things when they seem to go to
a cost you can't afford? The thing is, there are two things --
are they worth it and when do you pass the point of no return?
This is the problem we have very definitely and I think I see
where it is getting more serious; and I think it would be a
good time to discuss this with the representatives of the City
of Long Beach and ask them at what point we won't build a
bridge across Appian Way -- at what point isn't it worth it.

MR. DESMOND: Gerald Desmond, City Attorney, City
of Long Beach. Mr. Chairman and members of the Commission,
this of course has given us considerable concern, and I can
say very definitely in this case it was a case of poor figuring
and poor figuring by the engineers who designed this bridge.
The bridge, we are convinced, is a very important facility;
that it is well designed; that it should be built in the manner
in which it was designed. However, the estimates were con-
siderably low and through an error in judgment on the part of
the consulting engineers -- which they themselves, of course,
confess and is in the paragraph just read from the agenda item by Mr. Hortig. Now, in addition, to indicate that the sum of $384,000 for this bridge (of which the $425 is from our other funds) — this sum is also, I think, substantiated by the fact that the Division of Highways of the State have also reviewed this; have given approval, as they must to a bridge of this type; and their own analysis and extension of unit prices, they have advised Mr. Giikerson (our City engineer, who is here today), indicated a total estimate of $374,659. The low bid of $384,174 would then be 2.5% over the Bridge Department estimate. They also point out, which we took into consideration too, we had very good contractors bidding and the three lowest bidders are only $7,000 apart. We have given a bit of thought, too, to redesign; but we do not feel that what the Commission has approved in the past could be built at a lesser cost. This is as the situation appears to us. We are concerned; we feel there was a very definite, grievous error made by the designers, the consulting engineers.

MR. CARR: I'd like to ask a question of the City Attorney. Now, this is only a very small part of that project, isn't that right? Don't you widen Appian Way?

MR. DESMOND: That has been done, Mr. Carr.

MR. CARR: I know there has been some work done, but is all that other part of it done? You don't have any more rights-of-way to conduct or more property to acquire to finish this project from start to finish, the total project? This is
MR. DESMOND: That is correct. (I was looking back for confirmation) The work has been done. Appian Way has been curbed and widened. There are no further rights-of-way to be acquired. The bridge is ready for construction.

MR. CARR: How much money was spent in the widening of Appian Way? Did you have to acquire any other rights-of-way or was that all widened in the direction of the lagoon? Was that City property?

MR. DESMOND: That was private property that was actually donated by the private property owner to the City, I think some three or four years ago, for the widening.

MR. CARR: In consideration of the fact that all the other work has been done, so there are no other augmentations -- I'd like to call your attention, Governor, that in the South Alameda site for the State College, after we selected the site sufficient to build the college, then they came up with the idea they have to acquire thirty-nine pieces of property in order to acquire proper access. We don't get these projects planned all the way through and the prices we are paying for those thirty-nine pieces of private property are, I think, an out and out holdup; and our concern should be, wherever we are involved, we ought to know more about what the total cost of these projects is going to be, not only the part that we have something to do with but the other collateral costs, because they all get back in the State.
somewhere along the line, maybe in the Highway Fund or some
other fund. This is apparently the last augmentation that you
would have to have to complete this particular project....

MR. DESMOND: That is correct.

MR. CARR: ... and then it's all washed up?

MR. DESMOND: That's correct. I do want to make one
other point, if I may, because the figure of $190,000 has been
used and referred to here. I think we must also realize that
that is only 58% of the total estimated cost. This estimate
was made before the plans were drawn, before the bridge was
designed, at $190,000, with later augmentation of eighty-seven,
making $277,000; but that $277,000 is 58% of the total, the
total for the bridge phase, and this $277,000 was for bridge
and highway work; but of the bridge phase, instead of just
58%, we are talking about a total of $384,000. We should not
consider the $190,000 as now being doubled in cost. That
would not be correct.

GOV. ANDERSON: I'll second it.

MR. CRANSTON: Approval is moved, seconded and is
unanimously adopted.

Item (b) under City of Long Beach -- Approval of
specifications, bid forms and advertisement for natural gas

MR. HORTIG: The short form for the parcel designa-
tions, Mr. Chairman, is that these are all of the areas
currently under operating contract to Long Beach Oil Development
Company, one of the two operating contracts operating on offshore lands at Long Beach; and in connection with the operation of these parcels and to provide for the disposal of the natural gas produced with the oil, it is proposed that concurrent with the anticipated unitization of Fault Blocks II and III to include the tide and submerged lands, which unitization has already been approved by the State Lands Commission, that there be a new gas contract to provide for disposal of the gas under the unit operations.

In order to request a new contract, such contract must be awarded pursuant to competitive public bidding and again under Chapter 29 the specifications, the bid forms, and authorization for the advertisement for bids must be approved in advance by the State Lands Commission in order to have validity.

This matter has been reviewed by the Office of the Attorney General. You gentlemen have a copy of the Attorney General's opinion attached to your agenda, indicating that this is a matter that may properly be approved by the Lands Commission. The engineering staff of the Lands Commission have reviewed the documentation as to its engineering feasibility and it is recommended that the approval be granted at this time; and it is essential that it be granted at this meeting if a time schedule is to be met by the City of Long Beach, because even after bids have been invited and been received, under the Long Beach City Charter there is a requirement...
that the bids be held in ategotten too a regaland period of dirty days modes of award, abbey which time again the City CN will have to some back to the Commission with request for approval of the isswanes of the contract to the high bidder.

QC7. ANDERSON: Are any of these in any areas that are covered in wit agreements?

MR. NONNIC : They one not in areas covered by operating contracts in existence now.

GOV. EN GBAG or In buoyancy taken out, there will be no provisions made for pressurising. 3.1

R. WORDIG: As these areas are included in a unit operation they, of course, will be pressurized. The mags of the repressurization operations that are in effect in Song Eeach today are in these parois because the majority of the repressurization parcels that are taking place in the Wilmington Oil Field are being conducted on the tidelands, either under the contrast with Lid here specified or under contract With Bichheld cil.

CRANSTON: I'm. Deartond?

DESCEND: hey I point out, soo, this is a contract proposed for the sale of the natural gas. It is only for the sale of the gas after its production and, of course, all of the words from ouch sales go to the State of California one hundred percent. We are the operator there through our own operating sompants and this will provide for the disposal of the natural gas.

Wadey our charter 20 to necessary that there
be a new contract because the old one will expire upon unitization becoming effective. We would, therefore, be without any provision for the sale of the gas, the profits of which go one hundred percent to the State of California.

MR. CRANSTON: Motion is in order.

MR. HORTIG: Mr. Chairman, may I note for the Commission that the resolution as reported on page 51 of the agenda was prospective, subject to approval by the Attorney General's office. Approval opinion having been issued, it is recommended that the Commission approve these specifications and bid forms without the necessity of approval, as stated in the recommendation, because the approval was received after the agenda item was prepared.

MR. CARR: I so move.

GOV. ANDERSON: Second.

MR. CRANSTON: Mr. Carr moved, Mr. Anderson seconded, and it is unanimously approved.

Item (e) -- Pier A, Berth II, Redevelopment - first phase; estimated subproject expenditure from 12/22/50 to termination of $100,000 with 3% estimated as subsidence costs.

MR. HORTIG: Mr. Chairman, items (e) through (f) are the normal types of projects conducted by the Long Beach Harbor Commission insofar as they involve estimated potential subsidence costs for which there is specific provision in Chapter 39 for State participation. Such projects, again, require advance approval by the State Water Commission. The projects...
as indicated by the nature of the definitions, are all integral parts of the operation of the Harbor by the Harbor Commission and are all subject, in the approval by the Commission, to the reservation condition I mentioned previously -- that the amounts finally allocated will be determined when the actual measure of the costs is available by reason of the projects having been completed, the approval of the Commission here being the conduct of the project being approved in principle.

MR. CARR: I move authorization.

GOV. ANDERSON: Second.

MR. CRANSTON: Authorization is moved and seconded on item (c) which I have already read; item (d) -- Pier E, Water Main under Entrance Channel and North of Pier E, first phase; item (e) -- Pier 2, Back Area Rehabilitation, second phase; and item (f) -- Roads and Streets, Pico Avenue Service Road, Third Street to Pier A. Approval is unanimously adopted.

Item 6 -- Proposed oil and gas lease, Santa Barbara County -- Parcel 2.

MR. HORTIG: Mr. Chairman, as the Commission will recall, a program was initiated by the State Lands Commission at the last meeting for the sequential offering of oil and gas leases. Drawing your attention to the map on your left, the parcel colored green, marked "Parcel 1" is the parcel that was authorized to be advertised for bid at the last meeting of the Lands Commission. Bids are to be received thereon on February 3, and it is recommended here today that Parcel 2
the parcel colored in blue, being the same size as Parcel 1, previously authorized, and lying east of the westernmost existing lease in Santa Barbara County, be authorized for advertisement for bids to be received effectively March 3rd...  

MR. CARR: So move.  

GOV. ANDERSON: Second.  

MR. HORTIG: ... in accordance with the program established by the Commission at the last meeting.  

MR. CRANSTON: Approval of the bid offer is moved, seconded and unanimously adopted.  

Item 9 -- Proposed legislative program -- amendment of specified sections of the Public Resources Code.  

MR. HORTIG: Mr. Chairman, on pages 58 to 66 follow drafts of proposed amendments to six existing sections of the Public Resources Code, the purposes of which are detailed in the calendar item; and the short form purpose of the amendments being to eliminate differences of opinion, misinterpretations, as to the intent of existing legislation -- which differences of interpretation have developed as a result of administrative experiences with the particular sections. The proposed amendments will not affect any vested rights, will not impinge on any existing contract terms and conditions, have only one purpose -- to clarify and to eliminate confusion as to the application of those sections, so that everyone can from a reading understand that they mean exactly the way they have been interpreted by the Lands Commission and conform to the
original legislative intent when they were adopted.

The office of the Legislative Counsel has drafted
in proposed legislative form amendments to accomplish these
purposes if the Commission wishes to authorize the Executive
Officer to have the proposed amendments introduced in bill form
at the opening of the legislative session in January.

GOV. ANDERSON: These would all be classed as
technical, not of any substance?

MR. HORTIG: That is correct. There isn't any
substance or policy....

MR. CRANSTON: Do you wish action by the Commission?

MR. HORTIG: Authorization to introduce for the
State Lands Commission next Legislature.

GOV. ANDERSON: So move.

MR. CARR: Second.

MR. CRANSTON: Approval is moved, seconded, and
unanimously adopted.

Item 10 -- Confirmation of transactions consummated
by the Executive Officer, pursuant to authority confirmed by
the Commission at its meeting on October 5, 1959.

MR. HORTIG: As outlined on pages 67 to 72, the
normal crosssection of extensions, geological exploration
permits, and approvals of subleases and assignments of boating
facilities and log rafting facilities were completed by the
Executive Officer since the last meeting, pursuant to delegation
of authority, and confirmation of such actions is recommended.
MR. CARR: I do move.

GOV. ANDERSON: Second.

MR. CRANSTON: Confirmation is moved, seconded and unanimously adopted.

Item 11 -- Huntington Harbour Corporation -- application for agreement locating the ordinary high water mark, agreement for exchange of lands, and permit to dredge and fill submerged lands, Orange County.

MR. NORTIE: Mr. Chairman, if I may -- and the other Commissioners can look on (demonstrating on map) -- the sinuous channel outlined on the map before you is the bed of a tidal slough in Orange County, in which title is vested in the State of California, the State having in past years under then existing statutory authority sold the adjoining area between high and low water marks bordering on this existing slough. The outer perimeter boundaries on the margins of this sheet indicate an area which has been acquired in private ownership -- with the exception, of course, of the bed of the slough below the low water mark -- by an organization now incorporated under the name of Huntington Harbour Corporation, who propose to dredge a 400-foot wide channel limited by these straight lines, and then with finger channels at right angles and other locations thereto, to provide access to the main channel, with the intervening dry land remaining to be subdivided into primarily residential areas and with such other facilities as a large scale development of this type would
justify in terms of shopping centers and related facilities. The area has recently been annexed into the City of Huntington Beach. This area is now within the area of Huntington Beach.

Huntington Harbour Corporation, pursuant to provisions of the statute which authorize State Lands Commission consideration, have made application to have the State Lands Commission agree to exchange the bed of the existing slough in the amount of some twenty-three acres — referring to the latest revised version, 23.3 acres of State Land would be exchanged with Huntington Harbour for 61.3 acres of channel, which would be included within this channel proposed to be dredged.

The additional documentation which is attached to your agenda items are the documents that would be necessary to assure, first, that the project will be completed, to provide a performance bond so that in the event that the State's existing channel were filled and the project were not completed there is a performance bond which would permit re-excavation; so the State cannot finally lose any of the existing navigable channel, but if the project is completed the State would benefit in having sixty-one acres of navigable channel, navigable in fact more desirably than the existing tortuous channel which only has 21-odd acres in it. This is specifically authorized for consideration by the Commission that this may be done, if the Commission finds and determines that such an exchange would be in the interest of the State for improvement of navigation.
or aid in reclamation or flood control protection. All of
these features would be. I believe this is obvious from the
relative size of the parcels to be exchanged.

GOV. ANDERSON: Where is this located?

MR. HORTIG: Immediately shoreward, southerly --
it borders on the southerly border of the Naval reservation,
U. S. Naval Ammunition Depot at Seal Beach, and seaward from
this property line is Sunset Beach.

GOV. ANDERSON: Does the access come through the
Naval reservation?

MR. HORTIG: It would come through Anaheim Landing,
which has been developed for the Naval Depot, which has been
developed above its initial landing capacities. The title to
the slough is in the State of California, not in the Navy.

GOV. ANDERSON: These people in these subdivisions
would have to come through this Naval reservation?

MR. HORTIG: That is correct.

GOV. ANDERSON: What happens if they clamp down?

MR. HORTIG: They would have an interior channel,
unless the people who propose this operation should ever con-
template undertaking in effect a back door access by dredging
a channel across.

GOV. ANDERSON: Is that feasible?

MR. HORTIG: It is geographically feasible. It
has been contemplated in discussion both with Huntington Harbour
Corporation and other individuals who sought to accomplish the
same project, but none of the proposed developers has committed himself to undertake such an additional channel. The representa-
tives of Huntington Harbour are here. Whether this is necessary as a matter of insurance against having, in effect, a landlocked harbor which could result from the Navy.....

GOV. ANDERSON: How many people, for example, will be located when this is fully developed?

MR. HORTIG: Twelve hundred.

GOV. ANDERSON: And they could be landlocked?

MR. HORTIG: They could be landlocked. Representatives of Huntington Harbour are here today and, in addition, I have a request from Mr. Richard Hanna to be heard in connection with this item. These specific questions that the Governor just asked might be amplified by the Huntington Harbour representatives who are here.

MR. CRANSTON: Assemblyman Hanna.

ASSEMBLYMAN HANNA: I didn't bring all these files here to scare you gentlemen, but merely to impress you that I have spent some time on this problem and it goes back about five years in actual work and about nine years in interest in this area, so I think I know something about it. I think Frank will testify to the fact I have been bothering his office about three years and a half about it, and I have discussed it with the Beaches and Recreation Department for a long period of time.

The matter you just asked about, Lieutenant Governor,
has been considered very carefully and, as a matter of fact, regardless of the access through the Naval Depot, it would be possible to develop something here in the nature of what you have in Belvedere in the San Francisco area. In other words, we could develop the thing as a self-contained waterway and the high and low levels of the tides take care of your clearing your water, if this were in effect, if this came to pass.

As a matter of fact, I have also discussed the possibilities with both the Federal Government and the State for meeting the problems of making this access available. Some quite extensive discussions were carried on with the Federal Government relative to making a separate channel, actually, along the southerly section of their present access, for carrying the private boats that might be using this.

GOV. ANDERSON: This is under normal conditions, but supposing in a security measure they just clamped up on this access?

ASSEMBLYMAN HANNA: Well, of course, in trying to project for what happens in the event of war, Lieutenant Governor, this sort of thing is pretty hard to project and we all have to take whatever burdens come with war; and it would, I think, be made known to the people whatever the situation was, that that was the situation; and now, as far as bringing in large crafts are concerned, this is not going to be possible here under the present circumstances and everybody would know that immediately because with the bridging situation
that now exists both with the State Highways and with the Pacific Electric operation, you aren't inviting people to come in here with large crafts anyway and until circumstances develop where they change the whole complex of that Federal bay operation, you are going to be more in the activity like Belvedere than you are in something like Newport Harbor.

What the future will hold there, I think, is something none of us can project as far as what will happen in regards to those facilities on Highway 101; but at the present the project before you, I think, accomplishes for the public these things: Number one, it makes certain what at present is uncertain. If I followed pretty closely with what we developed in your department, Mr. Hortig, and with the title people, the total covered land over the years has drifted around some. There is really no certainty, as I said, where this 23.3 acres has been during the total time, where the high or low watermark has been. It has come up for question because of one place where it was established in the 1890s and another place in the original Rancho line before the treaty of Guadalupe Hidalgo. All these things which are uncertain will be made certain and that which is rather useless will be made useful. While there is now a channel which fluctuates very considerably, you will have a developed channel that will have a minimum depth and therefore will be useful for the whole period of time. Not only that, but it does something even over and above that, because at present the flow of the waters
both from the flood control and rock and roll of tides covers lands and then uncovers it, and you have a situation so far as the public is concerned as in the lower San Francisco Bay areas -- you have the type of smells that come with that type of thing. If you have the deep channel, you take care of it and you don't have that inundated material that lays out there and gives that ripe odor.

In addition to that, the harbor people will come in with a service facility, so that when people who now use this facility off and on in a situation which is hard to police -- with a developed channel in here, the harbor policing facilities will be able to move in and out and see that the interests of the public will be protected insofar as it needs policing.

We have been looking forward to this development of these areas in Orange County for about twenty years, maybe more. There are gentlemen here who have been in the county, have been in the county much longer than I, that can attest to that. Within the City of Huntington Beach itself, I think Bill Gallienne, who has been on the Chamber of Commerce (I know a couple years ago I sent him congratulations for twenty-five years), I think he can attest how long they have been looking forward to doing something with that land, that is nothing more than an eyesore at present.

We have expressions from the County Board of Supervisors indicating their study of this proposal and their approval of it. I'd like to submit the Board of Supervisors'
resolution, indicating that; and at the same time we have a
resolution from the City of Huntington Beach, in which this
land will be located. Also, here present if there are any
questions you gentlemen might wish to ask, I think we have Mr.
Kenneth Sampson, who is the director of the Harbor District
of Orange County. Mr. Sampson is in the back here and would
be glad to answer any questions, I am sure, that involve their
interest in the project; and then there are representatives
from the City of Huntington Beach, in which this would be
located. They are present this morning to answer any questions
in regard to their interest. I think the gentlemen sitting
here in the fourth row are the gentlemen from the City and
would be very glad to answer any questions relating to their
interest in this project.

Are there any other questions?

GOV. ANDERSON: Getting back to this back door
problem, what would that cost in round figures, nothing exact?
Are we talking about a big amount?

ASSEMBLYMAN HANIA: Yes, you are; for the reason,
Lieutenant Governor, you have to understand the problems of
that coast line to understand what the problems are at the
present moment. There is an action set up -- if you put a
jetty out into the sea, there is an action set up that scour
the coast line. At present, the Federal Government has been
facing this problem and the problem of feeding the beaches
with sand. I represent Sunset Beach and, believe me, their
problems are my problems, and I know what they are facing; and Seal Beach -- in Seal Beach we worked the problem out with a series of groins, worked out with the Federal people; but in putting out another projection out here you would then lift the problem off the Federal Government and put it on somebody else, and they would have to take care of it. The only way would be to put a berth out to the breaker, past there, which the State of California and the Federal Government have been talking about lo these many years, and when that comes about the problem of approach will be much more feasible.

GOV. ANDERSON: What will they be talking about in round figures?

ASSEMBLYMAN HANNA: I think if you get below a million dollars I don't think you are even in the ball park. How much you would need in addition to that -- I am not an engineer and wouldn't be able to say. I do say as far as our studies are concerned, the actual operations of a water facility within this area does not rest engineeringly under a new outlet there and I would think it would be at this point more advisable to determine what is going to happen with the Federal Government facility because, to lift the curtain just a little bit, we think from the discussions we have had with the City of Seal Beach and the Federal Government there is every likelihood they will go ahead with the project that was fairly well delineated before the Korean War, in which the County of Orange might acquire property directly behind what
is now Anaheim Landing and develop a much larger public resource there; and if this were true, I am sure the picture for that whole area will satisfy itself up to the point that nobody is going to be protected against what might be required should we get into another wartime situation, how that is going to affect the locking of a harbor, and so on. It can affect people up in San Francisco Bay, San Diego Bay, any place, where there would be operation of Federal ships back and forth. They would curtail the use of nearly all private crafts.

GOV. ANDERSON: I have great confidence in your knowledge and your recommendations on that area, but my concern is we have seen in the past where often we have allowed subdivisions to develop without thinking them through and the State or local cities having to go in and pick up the bill with streets, access and schools -- everything that goes along with it. I wanted to make sure we had explored every outlet. If by some chance by war that was tied up, would we have the proper access for these people or would they use other means of keeping their community alive? I wanted to make sure the contractors and subdividers have gone as far as they could.

ASSEMBLYMAN HANNA: I am quite sure in engineering this, it becomes pretty obvious this is a problem. I can assure the Commission this isn't the first time this has come up. It has been determined, at least to my satisfaction, although I am not an engineer, that this has engineering feasibility merely because this is useful with the rise and
fall of the actual tides that are there at present. There is
an engineer here if you wish to hear from him. I am sure they
have their own representatives and they could answer specific
problems. I was speaking on the general ones.

GOV. ANDERSON: These are what I want to hear anyway.
Would you feel there is any further responsibility in this
particular instance or do we play this by ear as it develops?

MR. HORTIG: Actually, Governor, I think the thing
could be summarized very readily that the responsibility,
whatever it may be, of the State Lands Commission is only
slightly relocated and would concern itself only with a
slightly larger water area if the consummation of the exchange
were approved. This would be the only difference from the
position the State Lands Commission is in today, whatever that
may be, because there is a 23-acre channel that comes in
through Anaheim Landing today in which title vests in the State.

GOV. ANDERSON: I realize that purely speaking the
State Lands Commission is limited in our scope, but we all
have a broader responsibility too and I wanted to make sure
when we get through we wouldn't have something on our hands
that was a problem. If any steps could be taken to eliminate
that, I would rather go into it now unless you feel you have
gone into this completely and checked this and we are in good
shape.

MR. HORTIG: By the same token, I think the record
should be clear, Governor, that inasmuch as there are
subdivision plans and the ultimate actual specific locations
of the various features are not yet a matter of record and
are outside the scope of jurisdiction of the State Lands Com-
mission, they have not been reviewed by the State Lands Commis-
sion staff; and the program for utilization of this area and
whether or not the particular subdivision plan might be
benefitted or reoriented to advantage, none of these items have
been considered by the State Lands Commission. What is here
being recommended is only that an exchange of channels be made,
which by its very nature must be of benefit to navigation and
flood control and reclamation, which are the criteria required
to be found under the statute if the Lands Commission is to
approve such an exchange.

GOV. ANDERSON: Once we approve this here today, it
will be construed the State has approved the subdivision.

MR. HORTIG: I believe under those circumstances the
Commission should indicate in the record that it is not to be
construed as approving the project as such -- that the only
thing that is approved hereby and that the Commissioners found
what is recommended -- that the proposed exchange and the
ultimate dredging of this 4-foot channel is the ultimate
project considered by the State Lands Commission and that this
will be to the interest of the State for the improvement of
navigation and for aid in reclamation and in flood control,
end of extent of approval.

MR. CARR: Mr. Chairman, I understand what Governor
Anderson has in mind. I have had the same thing in mind for a good many years. I drove up and down that highway twice or three or four times in the past several years. I'd like to say anything they do in there is an improvement of what they have now. I would move we approve this exchange. I think if you have ever gone over that territory it is obvious they need to dredge considerable mud out of there in order to raise the surrounding land that is being subdivided; but I think the most important point is we do approve only this exchange and I think the prospective owners and purchasers would be adequately protected by subdivision plans filed. This is going to be part of Huntington Beach and I believe Huntington Beach would comply with its responsibility to keep people from misleading themselves into what they are buying. Actually, access to this water is made under the highway bridge. The Navy has control over it but I believe they still grant permission to go through freely.

ASSEMBLYMAN HANNA: Yes, they do.

MR. CARR: And I would anticipate before this problem would become acute it will get a lot better and even you might see the Seal Beach Ammunition Depot declared surplus, which would be an advantage to the State of California and anybody in it.

GOV. ANDERSON: I'll second it.

MR. CRANSTON: Did Mr. Wingate wish to be heard on this item?
MR. WINGATE: Yes, my name is John Wingate. I am a landowner in Sunset Beach. I wish to go on record as requesting the responsibility of the existing channels that would not be affected; that would be affected, actually, by the dredging of the harbor area as far as the sanding up, because of the lack of water through these areas, and I just would like to know where the responsibility of the filling of these channels would lie.

MR. CRANSTON: Could someone speak to this point from those interested?

MR. KRUEGER: My name is Robert Krueger. I am an attorney for the applicant, Huntington Harbour Corporation. As is pointed out in the proposed agreements and has been made clear to the staff, Huntington Harbours intends to maintain the existing routes of ingress and egress to the proposed channel. If you are interested in further engineering details, why, I could refer you to our engineer, who is present.

GOV. ANDERSON: I would think there would have to be an engineer answer these questions.

MR. KRUEGER: Mr. Moffatt.

MR. MOFFATT: My name is John G. Moffatt. I did not hear the question.

MR. CRANSTON: Would you please repeat the question that you wish answered to him.

MR. WINGATE: Yes. There is an island area. There was two channels that actually the water is conveyed back and
forth through the highway bridge, and my question is: If the channel through your property or through the Huntington Harbour property is widened and deepened, then the amount of water passing through the parallel channel will be lessened, therefore the keeping of this channel depth will diminish and it will fill up with silt. My question is: Whose responsibility will it be to maintain this channel?

MR. MOFFATT: You are speaking of the channel under Bolsa-Chico to the area?

MR. WINGATE: I am speaking of the channel under the county highway bridge.

MR. MOFFATT: The channel adjacent to the present highway?

MR. WINGATE: Yes.

MR. MOFFATT: That lies without the boundary of this proposed development. It has an individual and separate entrance now, not quite contiguous to what might be described as this Navy channel. This slough is properly located within the confines of the Navy boundary. It would not have any change in the flow characteristics of your channel nor will the floodway under Los Patos Road to the Bolsa-Chico Creek area change. So the channel you refer to is lying without the proposed development -- will be connected to it in any case, and you have your own entrance, so to speak, to this channel, lying on property now in the United States government, and it will not affect the flow of your channel. If there is any effect,
it will probably increase it, because there is a larger area filled with water than previously, so there will be a slightly greater flow. Certainly you should have a beneficial effect because the water coming into your channel will change often, the same as at Alamitos Bay, the same as in Mission Bay, San Diego.

GOV. ANDERSON: If this channel is deepened as a result of either more or less water coming in and out of an adjacent lagoon, do we have any responsibility? Is there any liability on our part for whatever less or more water might result by deepening this channel?

MR. HORTIG: Conceivably, Governor, there could be. That question has many ramifications, but as Mr. Moffatt pointed out and possibly clarified, amplified by clarifying, the common source for both channels -- there are now two channels under discussion. This isn't only one channel that is going to be altered. The channel this gentleman has questioned, as Mr. Moffatt pointed out, is outside the project limits.

GOV. ANDERSON: But if we deepen and straighten this one channel and affect the amount of water coming in through the whole area, it may give more or less water. Do we have a responsibility?

MR. HORTIG: We might have that where there is a possibility -- and this would be a possibility if there were a limited source of water; but we are speaking of two existing channels to be improved, both of which are fed by Anaheim Landing.
which has a supply from the entire Pacific Ocean,

ASSEMBLYMAN HANNA: Is it not true that merely what
you are talking about is the natural workings of the tides and
you are not going to be able to change the working of the tides
by whatever improvement you put in?

MR. HOFFATT: That's correct.

MR. CRANSTON: Mr. Wingate, does that satisfy your
question?

MR. WINGATE: It answers part of it. I still wanted
to know the responsibility if there is a change in flow through
the area, which there seems to be an educated opinion there
won't be -- but if there is, whose responsibility is it?

MR. CARR: The responsibility would be that of who-
ever changes the flow, wouldn't it?

MR. HORTIG: That's who would be responsible, cer-
tainly.

MR. HOFFATT: I think to clarify it, it is as simple
as this: that you drive home one route and your neighbor takes
off a half block before you, so you are traversing that route
which affects the traffic on your street but not on your
neighbor's street. This man, so to speak, gets his water
farther down the line, so this work has no relative effect on
his channel. The difference occasioned by the proposed improve-
ment is infinitesimal to that flow required to fill the sloughs
of Navy property, of this property, and the lagoon.

GOV. ANDERSON: Are there people living in those
adjacent sloughs that might be affected?

MR. MOFFATT: Only one effect is that the flow is downstream and can turn into this area and any circulation in this lagoon, of which there is very little now, would be vastly improved because it has a flow from a new area, quite similar to the condition now existing in Mission Bay as compared to twenty years ago.

MR. CRANSTON: I think the record that would be made clear by this discussion is that the State of California is merely granting authority to the Huntington Harbour Corporation to undertake this work; that it would be their responsibility if there was any change, not the State's. It should also be noted that the U. S. Army Corps of Engineers has reported that this project would be an aid to navigation. I believe we have answered the questions raised here. It has been moved and seconded that the approval be granted and if there is no further discussion at this time, the approval is unanimously granted.

We come to Item 12, which is report of status of major litigation.

MR. HORTIG: Mr. Chairman, while that is informative, I wish to hand the Commissioners a supplemental calendar item, supplemental with particular reference to that phase of the status of litigation involving the controversy with Orange County for ownership of tide and submerged lands; and as noted in this item, on the subject of which the County of Orange again took official action yesterday, I have received word thereof.
this morning. In view of the fact that it has been reported previously to the Commission that the Orange County Board of Supervisors have voted unanimously to abandon litigation which they initiated earlier questioning the State's title to tide and submerged lands in Orange County, and the format of the specific request for dismissal was approved together with auxiliary documents by action of the Board of Supervisors of Orange County by formal action yesterday, it is recommended that the Commission direct the Executive Officer to authorize the Office of the Attorney General to consent to the request for dismissal in the stated action. The format has also been approved heretofore by counsel for private defendants in the action. With this approval and the final issuance of the order for dismissal by the court, the litigation will have been stricken from the court records.

MR. CRANSTON: Motion is in order.

GOV. ANDERSON: So move.

MR. CARR: Second.

MR. CRANSTON: The staff recommendation for approval has been moved and seconded and unanimously adopted. Is there anything extra at this point or are we ready for confirmation of next meeting date?

MR. HORTIG: No.

MR. CRANSTON: Final item, then, is date and time of the next scheduled meeting, presently scheduled for January 25, 1961 at 10:00 a.m. in Sacramento.
GOV. ANDERSON: I have no objection to this, but there is a possible chance I might want to get the time changed either an hour later or hour earlier, depending upon what the Senate's time of meeting is on that day.

MR. CRANSTON: You let us know. Nothing further coming before us, the meeting is adjourned.

ADJOURNED 12:08 P.M.

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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 sixty-five pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION OF THE STATE OF CALIFORNIA in Los Angeles, California, on December 22, 1960.


[Signature]