TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA
APRIL 12, 1961

PARTICIPANTS:

THE COMMISSION:
Alan Cranston, Controller, Chairman
Glenn M. Anderson, Lieutenant Governor
John E. Carr, Director of Finance

F. J. Hortig, Executive Officer
Don Rose, Executive Secretary to Lieutenant Governor Anderson

OFFICE OF THE ATTORNEY GENERAL:
Jay L. Shavelson, Deputy Attorney General

APPEARANCES:
(In the order of their appearance)

Joseph A. Ball, Esq.
Representing Richfield Oil Corporation

R. W. Ragland, Vice President
Richfield Oil Corporation

Miles W. Newby, Jr.
Representing Texaco, Inc.

J. Barton Hutchins
Representing Edwin Pauley Associates

Edmund D. Buckley
Representing Tidewater Oil Company

George Ketchum
Representing Mobil Oil Company

Elmore Hutchison, Consulting Engineer for Associated Contractors

Paul Home, Representing Standard Oil Company of California, Western Operations
## INDEX
(In accordance with Calendar Summary)

<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON CALENDAR</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Confirmation of minutes of meetings December 22, 1960 and January 26, 1961</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2 PERMITS, EASEMENTS, LEASES, AND RIGHTS-OF-WAY -- FEE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) C. Edward Christofferson</td>
<td>17</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(b) Howard P. Ritsch</td>
<td>16</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>(c) Del Monte Properties Co.</td>
<td>7</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>(d) John Grant</td>
<td>9</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>(e) Lee R. Miller</td>
<td>13</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>(f) Phillips Petroleum Co.</td>
<td>10</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>(g) Emerson A. Ray and Richard Castle</td>
<td>18</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>(h) Signal Oil &amp; Gas Co.</td>
<td>3</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>(i) Signal Oil &amp; Gas Co.</td>
<td>19</td>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td>(j) Lindsey H. Spight</td>
<td>8</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td>(k) U.S. Borax &amp; Chemical Corp.</td>
<td>11</td>
<td>21</td>
<td>5</td>
</tr>
</tbody>
</table>

MOTION ON ITEM CLASSIF. 2 (except (a) and (b)---- 6

3 CITY OF LONG BEACH

(a) Pier E - Water mains under entrance channel and north of pier E (2nd phase) | 2 | 23 | 6 |

(b) Approval first amendment to Unit Agreement Fault Block III, Wilmington Oil Field | 20 | 25 | 7 |

4 Authorization to approve and record maps - Survey Mean High Tides Line Half Moon Bay | 14 | 26 | 7 |

continued
<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON PAGE OF</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Authorization to notify City Council Half Moon Bay re value of proposed annexation under Resolution 4-61</td>
<td>6</td>
<td>27</td>
<td>8</td>
</tr>
<tr>
<td>6 Authorization to notify City Council, City of Coronado re value proposed annexation under Resolution 3191</td>
<td>21</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>7 Authorization for mineral extraction lease offer - Lentz Construction Company</td>
<td>15</td>
<td>30</td>
<td>13</td>
</tr>
<tr>
<td>8 Authorization to issue oil and gas lease to Texaco Inc. on Parcel 2, W.O. 3810, Santa Barbara County</td>
<td>12</td>
<td>31</td>
<td>14</td>
</tr>
<tr>
<td>9 Authorization to offer Parcel 4, Santa Barbara County</td>
<td>4</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td>10 Confirmation of transactions of executive officer:</td>
<td>1</td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Pauley Petroleum Inc.</td>
<td></td>
<td></td>
<td>34-35</td>
</tr>
<tr>
<td>Standard Oil - Western Op.</td>
<td></td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>11 Report on legislation</td>
<td>22</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>12 Report on status of land sales programs</td>
<td>23</td>
<td>37</td>
<td>33</td>
</tr>
<tr>
<td>13 Report on major litigation</td>
<td>5</td>
<td>38</td>
<td>34</td>
</tr>
<tr>
<td>14 Review of calendaring procedures</td>
<td>24</td>
<td>40</td>
<td>35</td>
</tr>
<tr>
<td>15 Issuance dredging permit to Associated Contractors, Salt Works Canal, Richardson Bay, Marin Co.</td>
<td>46</td>
<td></td>
<td>43</td>
</tr>
<tr>
<td>16 Determination of next meeting</td>
<td></td>
<td></td>
<td>44</td>
</tr>
<tr>
<td>ITEM ON CALENDAR</td>
<td>PAGE OF CALENDAR</td>
<td>PAGE OF TRANSCRIPT</td>
<td></td>
</tr>
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<td>23</td>
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<td>25</td>
<td>46</td>
<td>43</td>
<td></td>
</tr>
</tbody>
</table>

DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
MR. CRANSTON: The meeting will please come to order. First item -- the confirmation of the minutes of the meeting of December 22, 1960 and of the meeting of January 26, 1961. If there is no objection, those minutes will stand approved as submitted.

Item 2 -- Permits, easements, leases and rights-of-way issued pursuant to statutes and established rental and fee policies of the Commission.

MR. HORTIG: Mr. Chairman, as to Item 2(a), we have just received an inquiry and a series of questions relative to procedure from the Office of the Attorney General and, therefore, it is requested that action on item (a) be deferred until this can be discussed with the Office of the Attorney General.

MR. CRANSTON: If there is no objection that item will then go over. Item (b) -- Application of Howard P. Ritsch -- twelve two-year prospecting permits for minerals other than oil and gas.....

MR. HORTIG: Excuse me, Mr. Chairman. The same statement should have been made also with respect to item (b) as to necessity for discussion with the Office of the Attorney General, and we request that be deferred.

MR. CRANSTON: Without objection that item will go over. Item (c) -- Del Monte Properties Company -- 15-year lease of 0.205 acre tide and submerged lands in Stillwater Cove, Carmel Bay, Pebble Beach, Monterey County, for a pier
for sole use of members and guests of Stillwater Yacht Club; annual rental, $157.42. Any comments on that item?

MR. HORTIG: It is standard and in accordance with established policy and rules and regulations of the State Lands Commission.

MR. CRANSTON: Shall we proceed to the other items and vote on them altogether? Item (d) - John Grant -- five-year grazing and recreational lease, 290 acres recession lands in Owens Dry Lake, Inyo County; total rental, $292.50.

MR. HORTIG: I wish to direct the attention of our Commission, Mr. Chairman, to the fact that the last five-year rental on this same property prior to reappraisal by the State Lands Division was $50 for the total period. On reappraisal and in accordance with established rental policies of the Commission, this will be increased to $292.50.

MR. CRANSTON: Item (e) - Lee R. Miller -- Permit to excavate approximately 150 cubic yards of material, at royalty of three cents per cubic yard, from small site in Corte Madera Creek, Marin County. Any comments on that one?

MR. HORTIG: Authorized by statute and in accordance with rules and regulations and policies of the Commission.

MR. CRANSTON: Item (f) - Phillips Petroleum Company Geological survey permit from April 12, 1961 to October 12...

MR. HORTIG: Excuse me, '61 -- if you have that correction, rather than '62; a typographical error.

MR. CRANSTON: ... on tide and submerged lands in area
lying between line due west from Point Arguello, Santa Barbara County, and the extension seaward of the northerly limits of the City of Newport Beach, Orange County. Any comments on that?

MR. HORTIG: No sir -- a standard application by Phillips to engage in geological exploration. Individual wells drilled under this permit are still subject to individual approval as to location and depth to which they would be drilled.

MR. CRANSTON: Item (g) -- Applicant, Emerson A. Ray and Richard Castle -- approval of assignment to Beechie B. Walpole of Mineral Extraction Lease P.R.C. 1467.2, 160 acres school lands, San Bernardino County.

MR. HORTIG: The subject lease is a small mineral lease under which volcanic minerals are extracted for use as aggregate primarily.

MR. CRANSTON: Item (h) -- Signal Oil and Gas Company -- 15-year lease, 9.71 acres tide and submerged lands in Carquinez Strait, Contra Costa County, for ultimate use as a shipping facility; annual rental, $3,471.13.

MR. HORTIG: As outlined on the agenda item, pages 17 and following, this is a proposed expansion of operations in that there is a consolidation of two parcels of land formerly leased to Signal; the applicant having acquired the adjoining upland for future usage, desires this expanded type of operation and in accordance with appraisals of the land values at this time in order to establish this shipping facility.
MR. CRANSTON: Item (1) - Signal Oil and Gas Company -- Approval of location and construction of a stationary pile-supported drilling and production platform approximately 7,000 feet from shore within area of Oil and Gas Lease P.R.C. 425.1, Huntington Beach Field, Orange County.

MR. HORTIG: As the Commission is aware, Signal Oil and Gas Company are the principal lessee of the State Lands Commission in the Huntington Beach area of Orange County and in connection with the additional development of existing leases it has been determined to be desirable and necessary that a platform be placed offshore 7,000 feet -- offshore roughly a mile and half -- in order to permit the most effective development of these leases, which have been in existence in the majority of cases (the leases have) since 1938. All requisite approvals or nonobjections from the Department of Natural Resources, U. S. Army Corps of Engineers, etcetera, have been obtained.

GOV. ANDERSON: How far is that from the next nearest, the other island out there?

MR. HORTIG: Hazarding a guess, about six miles down the coast, Governor.

GOV. ANDERSON: South.

MR. CRANSTON: Any further questions or comments on that item? (No response) If not, we move on to item (J) -- Lindsey H. Spight -- Approval of sublease under P.R.C. 2364.2 to Peterson Tractor Company for installation of a mobile repeater
MR. EORTIG: The essential item to bring to the attention of the Commission in connection with this item, which is for additional usage of an existing State lease on top of Mt. Diablo, is the fact that the Communications Division of the Department of Finance have reported there is no objection to this sublease in terms of the operation creating any difficulties in connection with State communications already existing on Mt. Diablo.

MR. CRANSTON: Item (k) - U. S. Borax and Chemical Corporation -- Extension of term of Mineral Extraction Lease P.R.C. 736.2, Inyo County, at royalty rates as specified, for ten years commencing May 11, 1962, pursuant to Section 18 of the lease, to explore and develop new areas of the mine. Any comments on that?

MR. HORTIG: Since May the 11th, 1922 there has been a mineral extraction lease on the subject lands held by the predecessors in interest to U. S. Borax and Chemical Corporation, who currently hold the last extension of the particular lease. The company has been in the process of developing new market utilizations for the product which is mined, which is an insoluble borate; and in order to be certain that the additional capital improvements to further develop the market would be justified, desire to be assured that they will receive, as they are entitled under law, consideration by the Lands Commission for a ten-year extension of the lease starting May 11, 1962, the applicant desiring to be certain that this extension
will be granted in order that they can proceed immediately with their capital investment and extension of the operation. And, in connection with the proposed extension, inasmuch as it is, under the statute and in the lease terms, under such terms and conditions which the Commission may prescribe, it is proposed that the royalty schedule be revised upward to reflect the improvement in the value of the product and the improvement in the marketability of the product which will be mined in the future as a result of the extension of these operations.

GOV. ANDERSON: I move those items under Classification 2, except (a) and (b).

MR. CARR: Second.

MR. CRANSTON: Approval of all items, with the exceptions noted, under Item Classification 2 has been moved, seconded and made unanimously.

We come to Item Classification 3 -- City of Long Beach: (a) Project is Pier "E" -- Water mains under entrance channel and north of Pier "E" (2nd phase); estimated subproject expenditure from 4/12/61 to termination of $240,000 with 78% or $187,200 estimated as subsidence costs. Any comments on that item?

MR. HORTIG: This is a standard application by the City of Long Beach for advance approval of a project, as authorized by Chapter 29 of the Statutes of 1956.

MR. CRANSTON: Any comments from anyone else on this
project (a)? (No response) If not, Project (b) -- Approval of first amendment to Unit Agreement, Fault Block III, Wilmington Oil Field, to change the interim equity amounts so that they conform more nearly to the final revised equity amounts for the various producers. Any comments on that item?

MR. HORTIG: Yes sir. With your approval, Mr. Chairman, it is recommended that the recommendation be modified to read that "It is recommended that the Commission approve the first amendment to Unit Agreement, Fault Block III, Wilmington Oil Field, Los Angeles County, California, subject to the condition that the City submit: (1) Evidence that all other parties to the agreement have agreed to the amendment."

This modification is recommended because the original condition proposed, requiring approval subject to resolutions by the City Council and the Harbor Department, is now redundant because since the preparation of this calendar item these resolutions have been received by the State Lands Commission.

MR. CRANSTON: Any comments on this item? (No response) If not, motion is in order.

GOV. ANDERSON: I move it.

MR. CARR: Second.

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

Item Classification 4 -- Authorization for Executive Officer to approve and have recorded Sheets 1 through 9 of maps entitled "Survey of the Mean High Tide Line Along the
Shore of Half Moon Bay, San Mateo County, California," dated January 1959. Any comments on that item?

MR. HORTIG: Pursuant to statutory grant of area offshore from Half Moon Bay, San Mateo County to the San Mateo County Harbor District, which by statute required survey by the State Lands Commission at the cost of the grantee, such survey was completed and prints in reduced size of the sheets as completed are attached to your calendar item and require authorization to approve and record in accordance with the grant statute requirements.

MR. CRANSTON: Any comments on Item 4?

GOV. ANDERSON: I move it.

MR. CARR: Second.

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

Item 5 -- Authorization for Executive Officer to notify City Council of City of Half Moon Bay that present value of State-owned tide and submerged lands in Pacific Ocean, San Mateo County, proposed to be annexed under Resolution No. 4-61 is $3,321,000; and that proposed annexation may not be in best interest of the State and the previously interposed protest is to remain in full force and effect. Any comments?

MR. HORTIG: Mr. Chairman, after grant of lands by the State Legislature to the San Mateo Harbor District, annexation proceedings were undertaken by the City of Half Moon Bay to expand former upland area in the city to approximately double
and to include a large area of tidelands within the proposed new city limits, including those tidelands previously granted by the Legislature to the San Mateo County Harbor District.

The statutes require that in proposals to annex uninhabited tide and submerged lands under the jurisdiction of the State Lands Commission that, for purposes of determining the valuation of those lands in connection with any protest to annexation proceedings, the State Lands Commission shall make such valuation and report to the annexing agency. This is the first part of our proposal -- to authorize the report to the City Council of the City of Half Moon Bay that the value of the lands proposed to be annexed under Resolution Number 4-61 is $3,321,000.

We have also received from the San Mateo County Harbor District, a political subdivision of the State, objections and protests, suggesting that the proposed annexation may not be in the best interests of the State because of encumbrances which the Harbor District might have imposed on their activities under the State statutes as a result of being annexed into a city and being subject, therefore, at least to some approvals, if not direct control, of the City Council of the City of Half Moon Bay.

This latter facet is strictly not a problem directly within the concern of the State Lands Commission, but the Harbor District, at least, felt they had no other forum within which to report the interrelationship of these problems if
in connection with this report of valuation to the City Council of Half Moon Bay they were not permitted to report their problem to the Commission in connection with convincing the Commission whether the Commission should or should not protest the annexation on the basis of State policy; because with this valuation, the State Lands Commission would be in a position, if they protested, to block the annexation.

Therefore, the last half of this item is primarily to afford the San Mateo County Harbor District to present their problems and, as they see it, the solution that the Lands Commission could afford them. For this reason, they have been notified that this item was on the agenda and if the Chairman would call upon the proponents and opponents of this item who are present here today we can get the matter before the Commission in that manner.

MR. CRANSTON: Is there anyone who wishes to be heard on this matter? Is there anyone in the room that wishes to be heard on this matter involving Half Moon Bay? (no response)

MR. HORTIG: Well, under those circumstances, then, Mr. Chairman, it is recommended that the resolution on page 28 be modified to read only:

"It is recommended that the Commission authorize the Executive Officer to notify the City Council of the City of Half Moon Bay that (1) Pursuant to the provisions of Section 35313.1 of the Government Code, the State Lands Commission has
determined the present value of the State-owned tide and submerged lands proposed to be annexed under Resolution No. 4-61 to be $3,321,090* -- end of resolution; and then, parenthetically the staff will notify the City Council of the City of Half Moon Bay that the State Lands Commission did not authorize the staff to request the protest to the annexation to continue in effect.

GOV. ANDERSON: Has the San Mateo County Harbor District been fully notified of this? Were they informed of this meeting today?

MR. HORTIG: Yes sir, they have a copy of this agenda item.

MR. CRANSTON: To be clear on that figure it is three million, three hundred twenty-one thousand?

MR. HORTIG: Three million, three hundred twenty-one thousand.

MR. CRANSTON: A motion is in order to approve the recommendation made by the Executive Officer.

MR. CARR: I move approval of the recommendation.

GOV. ANDERSON: When you notify them, you just send this individual item to the Harbor District group, or how do you notify them?

MR. HORTIG: And to the City Council; and in view of the fact that the -- if you will excuse me a moment, gentlemen, I have the file before me. I have a note from my secretary also that a Mr. Whiting, Half Moon Bay attorney, called our chief land appraiser and reported that he might appear in

originally stated in error as "Three thousand, three hundred twenty-one thousand"
Sacramento tomorrow. This is a telephone message as of yesterday; and we have had extensive correspondence with other attorneys on behalf of both private landowners and the Half Moon Bay Harbor District, as has the Office of the Attorney General -- all of which have been replied to specifically by letter to the individuals directing them, plus the final confirmation I just read to you that there was telephonic verification as late as yesterday that the attorney of the Harbor District knew that this item would be considered by the Commission today.

GOV. ANDERSON: Second.

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

Item 6 -- Authorization for Executive Officer to notify City Council of City of Coronado that present value of State-owned tide and submerged lands in the Pacific Ocean, San Diego County, proposed to be annexed under Resolution No. 3191, is $4,400,000.

MR. HORTIG: The annexation business, obviously, is good. In this instance there are no conflicting problems due to protests in connection with the annexation. Therefore, it is recommended only that the Commission authorize the Executive Officer to advise the city pursuant to its request, and as provided by law, as to the valuation placed on the proposed annexation lands by the Lands Commission.

MR. CARR: Mr. Chairman, I'd like to understand the
purpose of this. Is that simply to give the City of Coronado jurisdiction over these tidelands?

    MR. HORTIG: Yes sir.

    MR. CARR: For construction of piers?

    MR. HORTIG: That is correct and still then they are subject to Corps of Engineers....

    MR. CARR: It would be subject to approval of the State Lands Commission?

    MR. HORTIG: Despite the annexation, all construction would be subject to Commission approval.

    MR. CRANSTON: Moved and seconded, unanimously approved.

Item 7 -- Authorization for mineral extraction lease offer, 6.6 acres submerged lands in bed of Sacramento River, Sacramento and Yolo Counties, for extraction of sand at minimum royalty of five cents per cubic yard, pursuant to application of Lentz Construction Company, Inc.

    MR. HORTIG: This authorization is recommended particularly in view of the fact that the application has been reviewed, found to be legally sufficient by the Office of the Attorney General; the Department of Natural Resources have reported there is no possible interference with recreational use of the land; and the Corps of Engineers of the Department of the Army has issued a permit authorizing the proposed operation as not interfering with navigation; and the Department of Fish and Game have also submitted a letter of nonobjection to
MR. CRANSTON: Any further comments on this item?

(No response) A motion is in order.

GOV. ANDERSON: I will make a motion.

MR. CARR: Second.

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

Item 8 -- Authorization for Executive Officer to issue Oil and Gas Lease to Texaco Inc., for the 4,250.14-acre parcel of tide and submerged lands designated as Parcel 2, Work Order 3810, Santa Barbara County, in consideration of cash bonus payment of $9,550,000.

MR. HORTIG: Mr. Chairman, in view of the invitation which you, as Chairman of the Lands Commission, issued to industry having interest in the problems of core drilling operations, which have brought implications with respect to the issuance of State oil and gas leases and have been the subject of a series of letter protests, I would like to suggest your consideration at this time, for the purpose of having discussion on your invitation, to withhold consideration of Items 6 and 9 on the agenda until the discussion which I presume would follow your invitation has been completed.

MR. CRANSTON: Yes. Let me first state, then, that I received, and others received similar letters of March 29th, letter dated March 28th signed by Edwin W. Paulcy raising certain questions in regard to the leasing procedures followed...
on Parcel 2, the parcel here under consideration. Upon receipt of that letter, I wrote a letter to all companies to which geological survey permits have been issued since July 30, 1959, which read as follows: "Dear (So and So): I enclose a copy of a letter from Edwin W. Pauley, dated March 28, 1961, addressed to me in my capacity as Chairman of the State Lands Commission. The Commission will meet in Sacramento on April 12th at 10 a.m. in Room 2170, State Capitol. If your company has any views to discuss on the subject of the letter from Mr. Pauley, the Commission will appreciate your views at the April 12th meeting."

Subsequent to that time, the following communications have been received by the Lands Commission:

First, a letter from the law offices of Ball, Hunt and Hart, transmitting to the Lands Commission a formal protest in the name of the Richfield Oil Corporation against the awarding of an oil and gas lease on Parcel 2 to Texaco. Richfield also request in this letter that bidding on Parcel 3, set for April 6, 1961, be deferred. Various reasons are then set forth in the communication for this action. The letter was received by the Lands Commission too late for any meeting to be held to consider the request as far as Parcel 3 went, insofar as accepting bids were concerned and bids were accepted on April 7th on Parcel 3 -- and, incidentally, Richfield Oil Company was apparently the high bidder, although that has not yet been determined.

Other letters received were from: Tidewater Oil Company, addressed to the State Lands Commission April 6th, signed
by Edmund D. Buckley, attorney for Tidewater; (This and other letters I will mention do not amount to formal protests -- they simply make certain comments)

Another letter from Mobil Oil Company, dated April 6, signed by R. F. Lavenant, Jr., who is apparently on their board;

Letter dated April 10th from Standard Oil Company of California, Western Operations, Inc., signed by Mr. H. G. Vesper;

A letter phoned in this morning, dated April 11th, from Humble Oil and Refining Company, Monterey Division, signed by E. E. Pyles, Vice President Monterey Division;

And, finally, a letter from Texaco, Inc., dated April 11th, signed by Buford W. Max. This letter constitutes a reply by Texaco to the statements made in the letter by Mr. Ball in the letter on behalf of Richfield Oil Corporation.

At this time we would be very happy to hear from anyone representing any firm who wishes to make any comments to the Lands Commission pursuant to the letter inviting such comments at this meeting.

MR. BALL: Mr. Chairman, my name is Joseph A. Ball. I represent the Richfield Oil Corporation and I might say this -- that the exploration on the coast, as you probably know, was (to which we had reference in our letter) by a group known as the GORSH group, which now by reason of a change of name is known as the STORM group -- Signal, Tidewater, Richfield,
1. Mobil -- but in the bidding on Parcel 2, Richfield Oil Corporation alone bid that; was the unsuccessful bidder and did not bid for the group. So as I speak now on this agenda item Number 8, I speak only for the Richfield Oil Corporation and not for the STORM group.

I will not repeat the facts, consider the facts, stated in our letter of protest because they are well known to you and you can consider them; but I do want to say this -- that is, it seems to me that what occurred on Parcel 2 does bring back for the consideration of the Commission a matter of policy as to how these State leases are to be put out for bid.

Now, in making this statement I'll assume certain facts, which I can't prove -- and you know whether they are true or not because these matters are confidential. I will assume that the core hole which was drilled by the Texas Company, which is the subject of this dispute, penetrated the Vaqueros sand and found oil sand, so at that time the Texas Company had more information on the character of the particular parcel than other bidders, which I say with no criticism except I say at that time, if that is the case, Texas was in a better position to bid than anyone else; but the State Lands Commission was also in a position to determine the value of that parcel because your geologists and engineers, with that information available and other core holes available, knew the value of that property.

It brings back what we have said before and we again
wish to urge it -- which is, when you do determine a parcel is valuable, determine it's valuable, whether you would not gain more for the State, get more out of the reservoir for the State by a minimum bid with royalty bidding, than with the present method of bidding under which the different companies scramble to see how much they can pay in more bonus. That's a matter of policy, purely.

I must also again state that my remarks are predicated upon facts of which I have no knowledge -- but you do. I have to assume when a bid comes in for $9,550,000 there is evidence before the Texas Company management that this is a valuable oil land. I have to assume also this State Lands Commission has that same information. If you have that same information, you are in a position to determine what is the best policy of bidding on that parcel.

Now, with reference to the various items of the protest that we urge in our letter on Parcel 2, we say this: We assume that the State Lands Commission and the Executive Officer and his staff attempt to give all oil companies who are engaged in core drilling on the coast equal opportunity and access to information. We also assume that in the future your policy will be the same -- that you will attempt to give us all the same access, so we will be in an equal position of bidding. We don't think we were in an equal position on Parcel 2. We don't think we had the information Texas had.

The question, therefore, arises as to whether or not
this present method, this present permit that's issued, which permits the core hole to go to a certain depth in accordance with the judgment of your staff, does give us all equal information. In the permit it states that if you encounter oil sand you shall immediately withdraw and plug back. I suppose that is so no one will have a complete log before the bidding starts.

Again, I repeat what we said in our protest. If we criticize the procedure, it is upon facts we don't know because obviously we assume the Texas Company did penetrate the Vaqueros sand and there was not oil, otherwise they would have plugged back and withdrawn. We are assuming matters not before us. It was in our permit and assume it was in theirs. If they did not, they obtained information that we did not.

Our protest on Parcel 3 was not based upon facts. We assumed, because of information received by the Texas Company on core hole two they would gain information on three. I will say Mr. Hortig told me that was not the case -- we were six miles away, some distance away, and this was not so.

It so happens we were on an equal basis on 3, because Richfield was the successful bidder -- with which we are well satisfied and we wouldn't care to disturb that bid one bit.

MR. CRANSTON: Mr. Ball, do we understand you have withdrawn Richfield's formal protest insofar as Parcel 3 is concerned?

MR. BALL: Insofar as Parcel 3 is concerned.

MR. CRANSTON: Do we understand you leave standing
the protest insofar as Parcel 2 is concerned?

MR. BALL: Yes, we leave standing our protest on 2 on behalf of the Richfield Oil Corporation, not on behalf of the other group or the bid on Parcel 3.

MR. CRANSTON: Thank you very much. I note that Mr. Ragland of Richfield is with us. Do you have any further comments to make?

MR. RAGLAND: No, Mr. Cranston, I do not.

MR. CRANSTON: Is there anyone who wishes to make any comments to the Lands Commission?

MR. NEWBY: Mr. Chairman, members of the Commission, my name is Miles W. Newby, Jr. I am an attorney for Texaco.

MR. CRANSTON: Would you repeat your name?

MR. NEWBY: Newby, Jr. I have only a few remarks to add to what we presented to the Commission in our letter which you have received. I only wish to point out this -- that there has been no charge that the bid proposal on Parcel 2 was issued other than in conformity with the statutes. There has been no suggestion that Texaco's bid on Parcel 2 did not conform to the terms and conditions contained in the bid proposal for Parcel 2.

There is one other point I think I should discuss and that is, whether it is to the best interests of the State for the Lands Commission to award the bid to Texaco. I think I should say only this -- that Parcel E, which adjoins Parcel 2 on the west, was awarded to the Pauley-Phillips group on a
bid of something over five million dollars. Parcel 3 -- which, of course, adjoins Parcel 2 on the east, is the subject now of a lease which may be awarded to Richfield on a bid which I understand is approximately a million, three hundred fifty-five thousand dollars. Texaco has offered to pay a bonus, has made a bid, of $9,550,000 for Parcel 2, the parcel in between those two previously mentioned properties. I think it is obvious that it is to the best interests of the State that the Lands Commission award Parcel 2 to Texaco.

MR. CRANSTON: Thank you very much. Is there anyone else who wishes to make any comments?

MR. CARR: Just for information, Mr. Chairman, I'd like to ask a question here: What was the bid on "D", Mr. Hortig?

MR. HORTIG: Just a moment, Mr. Carr.

MR. CARR: That's some time ago.

MR. ROSE: What do you mean by "D"?

MR. HORTIG: That's the parcel immediately east of Parcel 3.

MR. CARR: That's already on lease to Texaco.

MR. ROSE: $23,711,538.00.

MR. CARR: $23,000,000 on "D" and nine million and a half on 2, looks like the bid on 3 would be very low to me.

MR. ROSE: Incidentally, on "D", Mr. Carr, besides the $23,700,000 bid, the bid right behind it was $22,150,000. There was also a twelve million and a ten million bid.
MR. HORTIG: And a low of four million.

MR. BALL: Mr. Chairman, there is another subject I want to say something about and this also has to do with Commission policy in the future; and that is, in our protest we pointed out that what we consider a lack of regulations is required by the statute. There are numerous resolutions passed by the Commission that we are aware of in the past years that deal with this particular problem, but I want to make our position clear and then if you have any questions I'd be glad to answer them.

We took the position that the Commission had not complied with the statute adequately in adopting regulations on this core drilling; that there were general statements of policy in these resolutions and then there was sort of an implied delegation of authority to the Executive Officer to determine these particular depths to which the companies would be permitted to drill and then he would exercise his best discretion in the matter in accordance with that policy. We felt that more exact regulations could be drawn up by the Commission so that everybody could go to the regulation and see exactly what they could do, because if you will take the record -- if you will take the record there you will see that there are various depths to which core drilling, to which wells are drilled.

Now, it's true before you drill different places in a structure you can't say in a regulation "You can drill (say) to 4,300 feet" and have it uniform for everyone, because that
would not be uniform for everyone because of the difference in
stratigraphic depth, the rise and different position of the
structure; but we felt that the regulations could be more
exactly stated there -- the principles could be exactly stated
there, and adopted as regulations; and that was one of our
criticisms.

GOV. ANDERSON: How do you feel that could be more
exact?

MR. BALL: Well, let's take an example here: Some
years ago it provided -- there was some general statement there
that it could go to the first ...

MR. HORTIG: ... competent correlative stratigraphic
marker.

MR. BALL: Everybody figured that was -- everybody
thought it was left up to them to determine what that might be.
Then later on, I think it was in August 1959, wasn't it, Mr.
Hortig, it was changed.....

MR. HORTIG: Actually July, but effective in August.

MR. BALL: .. and then you went to a depth --
actually, in other words, you would assign a depth in a letter
for the core drilling.

MR. HORTIG: That's correct.

MR. BALL: Instead of using generalized language
like "the nearest stratigraphic marker" or instead of assignment
to the Executive Director (or impliedly assigning it to him,
because I was somewhat in doubt as to whether or not there was
an adequate delegation to do that) to let him in each instance
determine what should be the depth, the regulation could be
adopted which would permit him to state a generalized depth.
For example, suppose he said you could go to the Monterey shale
or you can go to the Marin County shale or to the depth of the
Vaqueros sand. Then everyone would know exactly how far they
would go and if they went further they would violate their
permit.

Also, another statement on what I had to say before --
I am sure I made myself clear on Number 2 -- and that is this --
that if, in the judgment of this Commission with the information
you have before you -- and which we don't have -- if you could
determine that the bid of 9,500,000 is a small bid compared
with the possible reservoir there, if you could determine you
could get more for the State of California than that with a
minimum cash bid, that's a matter for your information. You
have it; I don't have it. I can't make any suggestions -- I
can't argue facts on which I have no knowledge.

MR. CRANSTON: Are there any further comments? Mr.
Hortig, we have a full and complete record of all people present
at this meeting, do we not?

MR. HORTIG: Yes sir -- if they signed attendance
slips. You might ask that they be sure to do so.

MR. CRANSTON: Well, every person here has had an
opportunity to sign an attendance slip and we will presume they
have done so. If there are no further comments from anyone
here, I take it this silence indicates that no company repre-
sented here and no company apprised of this meeting wishes to
protest the award of oil and gas lease to Texaco on Parcel 2
other than the protest we have from Texaco.

MR. HUTCHINS: Mr. Chairman, my name is Hutchins --
J. Barton Hutchins. I am with Edwin Pauley Associates. I
just want to be sure that the record has our statement, that
Mr. Pauley is definitely on record with that protest.

MR. CRANSTON: His letter did not appear to constitute
a formal protest. Did you wish us to interpret it that way?

MR. HUTCHINS: Yes, I do.

MR. CARR: I believe we have a copy of a letter that
Mr. Pauley wrote to the Governor -- I have a copy here. It
says:

"With reference to my letter to you of March 28th
concerning the bidding on Parcel 2, I am attaching a copy of
the letter sent to the State Lands Commission by the attorneys
for the Richfield Oil Corporation. This reaffirms our position
in the matter."

Do you have a copy of that?

MR. CRANSTON: I don't have a copy of that.

MR. CARR: Is that what you are referring to?

MR. HUTCHINS: That one, as well as the one sent to
the various individuals.

MR. CARR: This is of recent date, about April 10th.

MR. HUTCHINS: I think that's about the same date the
other one was sent, the one Mr. Cranston referred to.

MR. CRANSTON: Do you have any further comments?

MR. HUTCHINS: No, I want to be sure that letter is interpreted as an objection.

MR. CRANSTON: Does anyone else.....

MR. BUCKLEY: Mr. Chairman -- Buckley of Tidewater Oil. We would not want our letter supporting Mr. Pauley's letter interpreted as a protest, formal protest, on Parcel 2.

MR. CRANSTON: It is not a formal protest?

MR. BUCKLEY: No.

MR. CRANSTON: Any further comments to be made?

MR. KETCHUM: Mr. Chairman, George Ketchum, Mobil Oil Company. We, likewise, would not like to have our letter interpreted as a protest to the award on Parcel 2.

MR. CRANSTON: Any further comments? (No response)

If there are none, the time for the Lands Commission to consider its course has come, and I would like to state that in view of the limited time that the State has had to consider the Richfield protest and the currently received interpretation of the Pauley letter as a protest, I recommend that the Lands Commission request the opinion of the Attorney General, who has not had adequate time to consider this matter. Before acting, I would recommend that we ask for all possible speed in receiving the Attorney General's advice on this matter and I would assure all interested parties that as far as the Chairman is concerned and, I am sure, as far as the other members of this
Commission are concerned, there will be no unreasonable delay in reaching a decision on our course of action on this matter.

GOV. ANDERSON: How much time do we have left on the award?

MR. CRANSTON: The Code does not spell out any time schedule we have to follow on this matter and all we have to do is be reasonable; and certainly the limited time given to the Attorney General to advise us could not possibly be considered unreasonable. The Chairman would appreciate a motion to that intent, unless others have other views to express.

MR. CARR: I only have one question, Mr. Chairman, and that is -- looking at this history of these other leases, when there was a $5,000,000 bonus on E and nine a half million dollar bonus offer on 2, and $23,000,000 on D -- not being a geologist, I'd like to get some information as to why 3 seems to be worth as little as the bid we received on it.

MR. HORTIG: Mr. Chairman, in response to Mr. Carr's inquiry -- of course, the evaluation of 3 was not subject of the agenda today. We do not have the material with us, although we have such material and at your convenience we can report to you on that subject.

MR. CARR: That's the only comment. I second the motion.

GOV. ANDERSON: I didn't make it, but I will.

MR. CARR: I thought you made it.

GOV. ANDERSON: All right, I will. There is no way
of Texaco withdrawing, pulling out, protesting this? I am just thinking of the time on this.

MR. CRANSTON: We have a fairly substantial deposit on hand and there is no limit spelled out in the Code as to the time in which we are required to act. The only possible grounds would be if we were unreasonable and it is certainly not unreasonable to seek the Attorney General's opinion.

MR. CARR: As long as we have the representative of Texaco here, I'd just like to get into the record as to whether or not he also understands it that way. Do we understand this correctly, now, that in delaying the acceptance or rejection of your bid on Parcel 2, that is, until we get an Attorney General's opinion, that your bid still stands?

MR. NEWBY: Yes sir.

MR. CARR: Thank you.

MR. CRANSTON: The motion is to withhold action until the Lands Commission can receive the advice of the Attorney General in this matter and the motion includes a request to the Attorney General for the earliest possible advice and also an assurance that there will be no unreasonable delay in Lands Commission action; and before voting on the motion, I'd like to hear from the representative of the Attorney General as to their ability to respond quickly to this request.

MR. SHAVELSON: The Office of the Attorney General will consider this a matter of utmost urgency and we will be prepared to advise the State Lands Commission after we analyze...
the whole transaction. I would hope that we would be able to
get advice to you by the end of this month.

MR. CRANSTON: Thank you very much. Are there any
comments before the Lands Commission acts on the motion made
by Lieutenant Governor Anderson? There being no comment by
anyone, the motion is approved unanimously by the Lands Com-
mission.

GOV. ANDERSON: Could I ask Mr. Shavelson a question
that is, not on that -- Mr. Shavelson, I am just a little con-
cerned with information that these companies get when they
drill. Now, I understand that the State Lands Division is not
supposed to give this information out. I understand, however,
these companies send it back and forth to each other and sell
it back and forth to each other, but it still is something we
are not supposed to give out ourselves.

When we get letters from Mr. Pauley and others, when
they have this information in these letters, how confidential
is that, then? Are we still supposed to be guarding these
letters as to what information they have, and if one gets out
of our hands what is the position? I see they have a lot of
information in these things, where they discuss the depths and
the things they found -- page after page; and these were mailed
out, each of us got copies of it, and I just wondered what
security do we have in this position?

MR. SHAVELSON: As far as Section 6826 of the Public
Resources Code is involved, it provides that the information
must not be disclosed by the State Lands Commission or by any of its employees and staff, except when there has been a written consent to the dissemination of that information by the person who obtained it. I don't think there is any restriction upon that person making it available, and at least no express restriction in the Code Section against other persons disseminating summaries or information they have gotten in one way or another as to survey data that other people have obtained.

In other words, the section is a restriction on the Commission and its staff. There is nothing in it, I don't think, that constitutes a restriction upon third persons.

GOV. ANDERSON: Now, when they send us a letter like this, this in a sense is a kind of public letter. It is directed to the State Lands Commission. Is this a public letter then, that is, something anyone can see; or is this something we give to the Commission and do not give the information out?

MR. SHAVELSON: Well, I informally suggested that we not read these letters verbatim into the record for the reason that it could be construed as the Lands Commission's disseminating some of the data that is in there, in violation of the Code. Right now, I think we ought to stick to that decision of not making these letters public, but upon further reflection we might decide that it's all right to make that information public.

GOV. ANDERSON: If a member of the press were to come in and say "I understand you received such and such a
letter and I would like to see a copy of the letter," then we can say "Upon the advice of the Attorney General we are not to give the information out at this time"? In other words, I want to know what we can withhold and what grounds we have to withhold it.

MR. SHAPELSON: I would suggest that if the letter contains reference to survey data that is made expressly confidential by the Code section, that the letters not be released at this time; and I'll get a more complete picture of the attitude of our office on that after we have had time to think about it for a while.

Actually, of course, in a sense we are not giving out information that we have obtained through the permit, so you could argue it either way; but I think in the interests of caution it would be better not to disseminate these letters -- for Commission members or staff to disseminate these letters at this time.

MR. CRANSTON: Next item on the agenda is number 9 -- authorization for Executive Officer to offer 4,250.14-acre parcel of tide and submerged lands in Santa Barbara County for oil and gas lease -- Parcel 4. The Chair recommends that this matter go over to the next meeting.

MR. CARR: So move.

GOV. ANDERSON: I'll second it.

MR. CRANSTON: Moved and seconded and unanimously adopted. At this point since some people may be leaving, the
Chair would like to ask if there is someone here from Long Beach who can give us a report on the extent of the damage by the earthquake.

(Off the record discussion 11:15-11:20 a.m.)

MR. CRANSTON: We will reconvene formally now and proceed to Item 10 -- confirmation of transactions consummated by the Executive Officer, pursuant to authority confirmed by the Commission at its meeting on October 5, 1959. Frank?

MR. HORTIG: The items tabulated on pages 34 and 35 of your agenda are routine extensions and approvals of assignments of existing documentation previously authorized by the Lands Commission, which actions were undertaken pursuant to specific delegation of authority from the Commission to the Executive Officer, and it is recommended that confirmation of these actions be granted.

GOV. ANDERSON: I'll move.

MR. CARR: Second.

MR. CRANSTON: Moved, seconded, approved unanimously.

Item 11 -- Report on status of legislation, 1961 session....

MR. HORTIG: .. which is noted as informative only. It can be amplified that the six bills reported on that were introduced by the request of the Commission not only passed the Senate but are all in the Assembly and have been bouncing back on and off the consent calendar currently. So the Commission's legislative program is progressing, I should say, very
satisfactorily. Additionally, as reported, there are numerous bills both in the Senate and Assembly which could have a definite effect on the laws governing the Commission's operations and these are being followed both in committee and by discussion with authors and affording technical assistance to those gentlemen on behalf of the Commission.

MR. CRANSTON: Any questions or comments? (No response) Now we proceed to Item 12 -- Report on status of land sales programs of the State Lands Commission; informative only.

MR. HORTIG: As the Commission will recall, on January 26th they directed the suspension of the processing of all pending applications for purchase of lands from the State and requested the preparation of a report on the number and status of such applications and specific data as to the lands involved. The report, in three parts and voluminous, has been delivered to each of the Commissioners. In view of the volume of the data reported, it is suggested the Commission accept the report for study as the basis of determination of Commission policy on processing of applications on such proposals as will be recommended at the next regular meeting.

In addition thereto, may I read to the Commission a letter received from Atomic Investments, Inc.:

"The February 5th letter from the Public Lands Officer indicates the Commission's decision to withhold processing of purchase applications pending review and report to be made at the March meeting. (This is the item under consideration at the moment.)"
"Correspondingly, we assume that the report at this meeting and various other related information received by the Commission could have a bearing on their recommendation for action on applications pending. Correspondingly, we are forwarding the following information for their consideration in connection with determinations that could be made.

In that applications now pending were made in good faith more than one year ago and in that various applications were accompanied by deposits which in certain cases were no doubt in substantial amounts, it would follow that the applicants being citizens could be inconvenient and suffer a loss of income from the amounts pledged along with the applications should further processing, including the reasonable appraisal on the basis consistent with that in effect at the time of their application, be denied by directives of the State Lands Commission or other person or persons controlling this program.

Considering the foregoing information, on behalf of ourselves and other applicants we petition that any changes or realignment in the State Lands Commission policy be applicable to future applications, rather than existing applications. If it be in order, will you please make this petition available to the Commission at this time as the problem is considered.

Sincerely,

Atomic Investments, Inc.

(signed) Elmer E. Tessyer,"

This item will be included and dealt with specifically in the recommendations to the Commission.

MR. CRANSTON: Any further comments? (No response)

Now we proceed to Item 13 -- Status of major litigation -- informative only.

MR. HORTIG: Which it is strictly, as the Commission will recognize from the similarity of prior calendar reports.
There have not been any substantive changes in the status of the major actions in which the State is a party in interest, as reported on pages 38 and 39 of your agenda.

MR. CRANSTON: Any questions or comments? (No response) If not, we go on to Item 14 -- review of calendaring schedule procedure. Frank?

MR. HORTIG: To expedite the discussion, if the Chairman will bear with me I will read the item.

On March 7, 1961, the Chairman requested a review of calendar-scheduling procedures authorized by the Commission on October 29, 1959, for the purpose of determining whether increased flexibility of scheduling is desirable in the preparation of the agenda of business for the Commission.

Investigation of the processing schedule for all applications received since specification of calendar-preparation procedures on October 29, 1959, has not shown a single instance of any delay in processing where at least the minimum time required for effective staff review was available prior to a scheduled Commission meeting. In addition, special meetings were held to process those applications involving broad public interests and public health or safety which required more expeditious processing than could be given through monthly meetings of the Commission.

A few scattered complaints have been received from applicants desiring more rapid Commission consideration. All of these instances, with one exception, resulted from late or
inadequate submittals of the original applications. The exception referred to was a late submittal after several months of direct refusal by the applicant to file any application.

From this investigation it appears that improvement for more rapid but effectively controlled calendar processing could result from a directive to the Executive Officer to process to conclusion all applications for operations which are in conformance with all statutory requirements and established policies of the Commission. Authorization for such processing is included in the delegations of authority from the Commission on October 5, 1959. Such actions by the Executive Officer would be submitted to the Commission for review and final confirmation, as specified in the delegations of authority.

It is recommended that the Commission (1) reaffirm the calendar-scheduling procedures adopted October 29, 1959; and (2) direct the Executive Officer to process to conclusion all applications for operations in conformance with all statutory requirements and established policies of the Commission, as specified in the delegations of authority adopted October 5, 1959.

MR. CARR: I don't understand exactly what that means, Mr. Chairman. Does that mean that such applications we have had for sales of land would be processed automatically and then submitted for post review to the Commission, Mr. Hortig?

MR. HORTIG: Not for the sale of land. There would be no applications processed automatically where title would
be conveyed. Under the statutes, and to assure proper conveyance of title, permission must come to the Commission in the first instance. The only things that would be processed would be permits, easements, licenses for short-term operations, assignments, subleases where the applications are submitted in full conformance with existing specified policy of the Commission’s rules and regulations and statutes.

MR. CARR: When you speak of permits, how broad is that interpretation of permits?

MR. HORTIG: Anything that could be authorized by the Lands Commission on a negotiated basis; nothing that requires competitive public bidding.

GOV. ANDERSON: For example, today all the items under Classification 2 could be handled by you?

MR. HORTIG: Could be.

GOV. ANDERSON: And then after it was done, it could be given to us for approval?

MR. HORTIG: Or disapproval.

GOV. ANDERSON: Supposing we disapproved, then what?

MR. HORTIG: Then the permit or easement or whatever is not issued in fact.

GOV. ANDERSON: In other words, they would be granted subject to our approval?

MR. HORTIG: That is essentially correct.

MR. CARR: But the permittee would, nevertheless, withhold any action with regard to his permit until it was
MR. HORTIG: Or could undertake it on a calculated risk basis, having been informed that this was subject to approval and confirmation by the Commission; but invariably the pressures are that a piece of machinery is at a location and the contractor wants to move some pier and there is no Lands Commission meeting for two weeks, and where it is routine operation and the application completely in conformance with Commission policy and all the local planning and other agencies have approved it and there are no objections, it would appear the calculated risk in these situations is minimal.

GOV. ANDERSON: Except if he would move the pier and then we wouldn’t approve for some reason ..... 

MR. HORTIG: Right.....

MR. CARR: Take this specific....

MR. HORTIG: ... then it would be better to hold everything up.

MR. CARR: ... removal of sand at the confluence of the American River ....

MR. HORTIG: Yes sir.

MR. CARR: Actually, what is that? Sand builds up where it is being carried by the Sacramento and deposited in the stream?

MR. HORTIG: That’s correct.

MR. CARR: So that is an aid to navigation.

MR. HORTIG: That is correct. If not removed by
this permit, the Corps of Engineers would have to take it in hand.

MR. CARR: That is the type of thing you have in mind -- where there is very little calculated risk?

MR. HORTIG: Yes sir.

MR. CARR: I just wanted to find out whether or not that is a specific example.

MR. HORTIG: Yes -- or for a general type of operation as with respect to issuing prospecting permits or leasing for boat docks, etcetera, and so forth. There is a specific policy in writing in the records of the Lands Commission as to the scope within which those items will be issued.

GOV. ANDERSON: You would probably have awarded (a) and (b) subject to our approval today, which we upon the request of the Attorney General deferred.

MR. HORTIG: Items 2(a) and 2(b)?

GOV. ANDERSON: Yes.

MR. HORTIG: I would have withheld them in view of the question raised by the Attorney General.

GOV. ANDERSON: But your dealings would have been directly with the client?

MR. HORTIG: That is correct, sir, but these items, particularly items (a) and (b) -- prospecting permits, are referred to the Office of the Attorney General for clearance as required by statute; and, actually, we have the problem here that we have the clearance but still have a question from the
Attorney General's Office. So to clear that, it would have been a staff routine matter to do it exactly the same way with the Attorney General -- we would have been informed; we would have withheld action.

MR. CRANSTON: Referring to the resolution that appears on page 41, which spells out the procedures for calendar closing dates, the normal procedure is that material must be in ten days ahead of time for consideration; and then the procedure for getting in if something comes in after that time is spelled out, comes under "2" -- for emergency matters only, emergency items being defined as those which are highly critical and where delay in action would result in impairment to the public safety, health, or welfare.

MR. HORTIG: That is correct.

MR. CRANSTON: I'd just like to ask if it is felt that this does give adequate opportunity for those who may come in late with something that is an emergency to the party involved, but may not fit this definition of "impairment to the public safety, health, or welfare"; whether there is enough flexibility to give us a chance to fully consider and yet accommodate, give a citizen or group of citizens a chance.

MR. HORTIG: This is the crux, Mr. Chairman -- you said "... give us time to consider." The staff also has this problem and if a very complex problem, requiring extensive engineering review, meritorious though it may be, is filed on the day before the Commission meeting -- the answer is, it is
MR. CRANSTON: Obviously, if it is very complex....

MR. HORTIG: We just don't get any simple ones any
more. I don't know where they went to -- there is no such
thing as a simple application. We could use electronic com-
puters to check these things out. I wish to suggest even in
the case of a last-minute application, if it is reasonably
standard, noncontroversial and all, then that the Executive
Officer approve it under the delegation of authority so that
the additional paper work that the applicant ordinarily wants
to undertake with other agencies and so forth may be undertaken.

This gain in time prior to the next Commission meeting in most
instances would resolve the problem of his pressures and,
finally, he would have, in order to make sure that this were
completely valid under the statutes, the consideration for
confirmation at the next Lands Commission meeting.

Now, there are going to be some items that definitely
for an applicant, an individual is going to feel it is super-
important for immediate action; but it is going to include
controversial or policy determinative matters which, under the
delegation of authority, at least this Executive Officer would
not undertake to resolve but would of necessity hold and bring
to the Commission for determination in the first instance.

I am not seeking any more work but I am trying to
get the elimination of the necessity for submitting routine to
you gentlemen if this is possible and if I can expedite your
operations by taking on that routine.

MR. ROSE: My question is this: The language here is so specific where it says "only in the case of public health, safety or welfare" is this action to be taken. It seems to me there might come instances rather often that are not too complicated, in which the Executive Officer might relieve damage being done to some private citizen or group of citizens, which would be beneficial to him if he could get some action and some expedient decision; and if he is automatically ruled out because it doesn't come under the public health, safety and welfare, I wonder if it is the intent of the Commission to have it that stringently laid down.

MR. HORTIG: May I reply to that? This, of course, was considered at the time these specifications were originally drafted; and absent a closing of this door, we would be back in the situation where the Commission found itself and where it was felt desirable to adopt this as a policy -- because, obviously to every citizen who has an application, this application is to him of paramount importance. Without this door closed, you gentlemen on the Commission, if there is any opening, are immediately bombarded by telephone calls, letters from everyone from the Governor on down.

Upon our review, we have seen all matters not processed immediately to the State Lands Commission were, as I say, late or incomplete; or, as in the extreme example we had, months of refusal on the part of the applicant to even file an application.
and finally, with an Attorney General's opinion that he had to file an application to get this authorization, then the day after he received this Attorney General's opinion he wanted his permit.

MR. CRANSTON: In response to Don Rose's question, the language is "or public welfare" and not "and" ....

MR. HORTIG: Right.

MR. CRANSTON: And the Chair would assume the words "public welfare" can be interpreted rather broadly.

MR. HORTIG: Right.

MR. CRANSTON: Any further questions? (No response)

We proceed to Item 15 -- issuance of dredging permit to Associated Contractors, to excavate 22,500 cubic yards of material at royalty of three cents per cubic yard, from 156,153-square-foot portion of Salt Works Canal, Richardson Bay, Marin County.

MR. HORTIG: Mr. Chairman, I don't believe the record shows that we had any action on the preceding motion.

MR. CRANSTON: Was there a motion made?

MR. HORTIG: No. There was a recommendation of the staff on page 41.

MR. CARR: I move.

MR. CRANSTON: The staff recommendation on the calendar item on page 40 is moved, seconded and unanimously adopted; and on this dredging permit?

MR. CARR: Why wasn't this five cents a yard?
MR. HORTIG: There's a very limited amount of material, sir. Actually, it is mucked in mud -- a very limited amount of sand therein -- and the removal is in an area heretofore granted to the County of Marin, in which the minerals were reserved to the State. The applicant doesn't agree with our interpretation but the statute says it is and this is the only basis for authorization by the Lands Commission to authorize this type of operation, and the permit is recommended.

MR. CRANSTON: Motion is in order.

MR. CARR: I move.

GOV. ANDERSON: Second.

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

Finally, we come, then, to item 16 -- determination of date, time and place of the next Commission meeting. Do we have a tentative schedule now?

MR. HORTIG: We had mentally, but may I suggest, Mr. Chairman, that that determination be held in abeyance with the possibility in mind of selecting later, when we can, a particularly practical date to coincide with when the Commission can be informed by the Attorney General with respect to our oil and gas leasing policy.

MR. CRANSTON: Did we wish, however, to set a regular meeting now, apart from any special meeting we might have?

MR. HORTIG: My thought was the Commission might wish to consider holding the regular meeting date in abeyance until
the time all these matters could be considered. On the other hand, approximately thirty days from today would be a desirable date, in order to permit staff processing of the agenda. The regular meeting date, of course, would be the last Thursday of this month, which is a preparation time almost impossible to meet.

MR. CRANSTON: Is Wednesday or Thursday, May 3rd or 4th, suitable to the other members?

GOV. ANDERSON: I am not sure -- May 3rd or 4th ....

MR. CRANSTON: John, how about you? Wednesday, May 3rd, is preferable to me.

MR. CARR: Well, I have an appointment in San Francisco ten o'clock that morning.

MR. CRANSTON: How about Thursday?

MR. CARR: Thursday is O. K.

MR. CRANSTON: Thursday, the 4th, tentatively. Will you check that, Glenn?

GOV. ANDERSON: Will that be in the morning?

MR. CRANSTON: Yes.

GOV. ANDERSON: I'll check that.

MR. CRANSTON: Did somebody wish to be heard on that previous item?

MR. HUTCHISON: Mr. Chairman, members, I am Elmore Hutchison, consulting engineer for the Associated Contractors. I have about four hats. I am President of the Hunters Point Reclamation District and I am a landowner in the Marsh Land

DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
Company in Sausalito; and I was very much interested in Mr. Hortig's ......

GOV. ANDERSON: Which item is this?

MR. CRANSTON: Item 15.

MR. HUTCHISON: ... remarks on delay. Item 15, that was the specific case when the equipment was already at work and we didn't realize the State had any more interest in the area because it was granted to the County of Marin and we hadn't taken steps to obtain a permit to remove the material.

The reason I'd like to speak about it is this:

Number one, the removal of this is for the benefit of navigation and it is quite difficult to find a place to deposit this material because of the location of it. We also have in this canal an additional area of nearly a mile that needs to be dredged and we don't know where we are going to put the material, and we don't think it is proper that we should be charged a royalty for benefiting navigation -- which is a benefit to the State as a whole and not necessarily to the individual people.

We didn't protest this because we know it is a matter of routine. We don't want to be small about it, but this whole Richardson Bay situation needs to be reviewed and I'd like some way if the Commission would give your Executive Director permission to go into this matter in a way where an equitable solution can be arrived at -- because it is not only the property owners but counties and cities are all involved in this.

I am quite sure Mr. Hortig knows something about this
but I don't think determining mud is mineral is the full intent of the law that the Legislature stated when they were reserving the mineral rights. Of course it is certain it is either animal, vegetable or mineral; and being not animal or vegetable, it is mineral -- but it has no real value.

MR. CRANSTON: Are you requesting that we rescind the application at three cents?

MR. HUTCHISON: I think it should be granted without.... However, we don't want to be small about it. It's a matter of present regulations -- we don't want to go contra to that.

MR. CARR: Mr. Chairman, Mr. Hutchison spoke to me about this in San Francisco and this is a rather peculiar situation. If it isn't mineral, then we don't have any jurisdiction, isn't that right, Mr. Hortig?

MR. HORTIG: That is correct.

MR. CARR: In this particular case because this has been granted to Marin County ....

MR. HORTIG: Yes, with the reservation to the State of the mineral rights. May I point out in reply to your question and as a possible suggestion to Mr. Hutchison, the statutes have been researched, the applicability has been determined, and tide supported to the point that other grantees of State and submerged lands (who recognize this difficulty and the fact that there is no alternative course of procedure if the State Lands Commission is to administer the State mineral reservation) have not questioned the applicability of the statute; but even now have under
consideration in the Legislature for all harbor and navigation development areas a proposal that the statutes granting these areas be amended to provide on this mineral reservation situation and the necessity to collect royalty therefor that it "shall not apply to such operations as are conducted in aid to navigation" — thereby, if adopted as legislation, then this would clear the decks for the Lands Commission to make such recognition of it that you are advocating and which, as I say, is being advocated by other harbor districts and without objection by the State Lands Commission; but counsel have informed the State Lands Commission what they are enclosed by under present statutes.

GOV. ANDERSON: Does this stuff they are removing have any value? What will they do with it?

MR. HORTIG: In some instances it has value, depending entirely on its actual mineral nature. It ranges from poor to good fill material and is being deposited in many instances on adjoining swampy land, provides reclaimed land that can be used for other purposes and can, therefore, be used in lieu of other more expensive materials and on this basis has a fair market value.

GOV. ANDERSON: Is three cents a fair market value?

MR. HORTIG: This is a reasonable market value and has been established by the Commission and has been paid by many, many permittees.

MR. CARR: This is $675?
MR. HORTIG: Yes sir.

MR. HUTCHISON: The main thing, of course, was the inconvenience. We weren't aware of it and we appreciate the action Mr. Hortig has taken in getting this on the agenda for us. We were rather surprised that we were notified to do it, but I am thinking ahead that something needs to be done about this situation because in this instance we could have had placed on our property solid material at less cost than it is costing us to dredge the canal and place this material on it; and on top of that we are charged a royalty for something we would rather not have. I am showing you that in consideration of these matters even now or in the future it is quite difficult to determine what is the equitable situation.

GOV. ANDERSON: Mr. Hortig, how do you arrive at a three-cent rate for this if they can get it cheaper elsewhere and better?

MR. HORTIG: Purely as a minimum, and in many instances the permits are so small that the royalty actually collected barely pays the Commission's costs of processing the permit. In this instance there are a few more yards, and I think Mr. Hutchison will agree in comparison with the total project that the total estimated cost of $675, even at the minimum charge of three cents a cubic yard, is not excessive. I think Mr. Hutchison's problem with the Commission is this -- that he is advocating that for larger scale projects and for future programs that there be recognition and modification of the statutes which
would permit the Commission to do other...

GOV. ANDERSON: If they hadn't wanted to make this navigable there, they could have gotten this fill cheaper and gotten it somewhere else?

MR. HORTIG: That's correct, but the minute they dredged they were told they were removing minerals belonging to the State and this may not be given to private interests without charge by the Lands Commission; it would be giving away State property. This is an extreme case, but these are the borders within which we have to operate.

MR. HUTCHISON: In this case half the material will be placed on streets and roads which will become county roads and streets. This is a difficult question and I don't want to appear small about it, but I do think it should have consideration in the future because that Richardson Bay area is a problem and Marin County has been trying to get that dredged.

MR. CARR: Is this an accretion? You are building up land that will have value?

MR. HUTCHISON: In order to dispose of it, yes; but there is so much material there that much of it can't be disposed of unless some property owners will let you place it there. They don't want it. The county is trying to work out a deal, asking the owners to take the material and pay for it and dredge the canal so it may be used. It is quite involved.

MR. HORTIG: Might we get this particular problem in perspective, Mr. Hutchison? Do I understand that actually the
total project to which you are referring will result in a private development of a marina-type — homes, and so forth? This is not a public agency project?

MR. HUTCHISON: No, private.

MR. HORTIG: This, then, Governor gives us the additional difficulty in that we cannot permit the conversion, to advantage or disadvantage, of the State’s reserved minerals at no cost for the benefit of a private contract.

MR. HUTCHISON: Well, I have an instance in Sausalito — the people are going to dredge one of the streets and they have the same grant there as elsewhere, and they asked us if we wouldn’t let them deposit this material on our land. Well, we were reluctant to do it. In another year or so we will be revamping that entire area and we don’t want to move material around from one place to another. It’s quite costly to do and reclaim this land, and we don’t think we should have to pay a royalty for it.

This is in the future now. I am wondering, as President of the Board of Trustees of the Hunters Point Reclamation District. We have asked the Legislature if they can make an enabling act to have a constitutional amendment allowing the State Lands Commission to dispose of these tidelands to private developers because it is a stumbling block to the development.

MR. CRANSTON: We have to bring this to a close at this point. May I ask: Would you like us to withhold action and report back?
MR. HUTCHISON: No, we have our machinery there. This is one of those Mr. Hortig mentioned.

MR. CRANSTON: Then you will proceed on the bid proposed by you and we will ask the staff to report on the matter.

MR. HUTCHISON: I would like to discuss this matter.

MR. CRANSTON: Certainly. I'd like to ask Mr. Hutchins one thing in regard to the formality of Mr. Pauley's protest. The letter of Mr. Pauley to the Governor referred in general to the Richfield protest. Richfield has now withdrawn their protest on Parcel 3. Do you leave standing formal protests on both Parcels 2 and 3; or are you, like Richfield, confining your protest to Parcel 2?

MR. HUTCHINS: I'd rather let that pass until next meeting, otherwise we will withdraw it; we will withdraw it like Richfield.

MR. CRANSTON: I think to clear the air we should know whichever you want to do.

MR. HUTCHINS: I think for the record we will let it stand as is, Mr. Cranston -- object to both of them.

MR. CRANSTON: Thank you very much. I believe we have covered all matters...

MR. HOME: One item, Mr. Chairman and Commission. My name is Paul Home. I am with the Standard Oil Company, Western Operations. In connection with the letters which were delivered by various companies, one of which was delivered by
Standard, there was one discussion this morning as to whether the Commission was required to treat those as confidential or was privileged to dispose of their contents. I wish to state for the record for Standard of California that our letter is not to be considered confidential or privileged in any sense. The Commission is free to do anything they wish with it.

MR. CRANSTON: Thank you very much.

If there is nothing further to come before us, we stand adjourned.

ADJOURNED 11:55 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-three pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION in Sacramento, California, on April 12, 1961.

Dated: Sacramento, California, April 17, 1961.