TRANSCRIPT OF MEETING
OF
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA
May 24, 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 the Lieutenant Governor

OFFICE OF THE ATTORNEY GENERAL:

Howard S. Goldin, Deputy Attorney General
Jay L. Shavelson, Deputy Attorney General

ASSEMBLY:

Bruce F. Allen, Assemblyman, Chairman of Committee on Manufacture, Oil and Mining

APPEARANCES: IN THE ORDER OF THEIR APPEARANCE

Clark Heggeness, Esq., of Ball, Hunt and Hart, representing Richfield Oil Corporation

Paul K. Home, representing Standard Oil Company of California, Western Operations, Inc.

J. H. Garfinke, representing Pauley Petroleum

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Reporter: Louise H. Lillico
Division of Administrative Procedure
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**SUPPLEMENTAL CALENDAR ITEMS**

Adoption of emergency regulations amending Section 2100, Title 2 Calif. Adm. Code

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Proposed Oil and Gas Lease, Santa Barbara County, Parcel 2

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NEXT MEETING

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MR. CRANSTON: The meeting will please come to order.

Lieutenant Governor Andersen is enroute to this meeting.

Frank, do you want to suggest the procedures we should follow in taking up certain of the more important matters first, in view of our time limitation?

(Governor Anderson arrived)

MR. HORTIG: Mr. Chairman, with the arrival of Governor Anderson may I suggest, in view of the fact that there is a rather full attendance particularly with respect to the oil and gas matters to be considered by the Commission, that the Commission start with the supplemental calendar items, which are numbered sequentially starting with page 29.

MR. CRANSTON: The first item will be Supplemental Calendar Item 16 -- Adoption of emergency regulation amending Section 2100 of Title 2 of the California Administrative Code pertaining to geophysical and geological survey permits -- Work Order 3949. Frank?

MR. HORTIG: As the Commission will remember, at the last meeting protests were received, questions were raised, as to the oil and gas leasing procedure of the Commission in relationship to the terms and conditions of geological exploration permits heretofore issued.

It is the recommendation of the Office of the Attorney General that the procedural matters and controls not heretofore specified by the Commission within the framework of the rules and regulations, but heretofore adopted and prescribed as
policy -- that in general these matters should preferably be adopted as emergency rules and regulations by resolution of the Commission today and that to accomplish a filing and a literally immediate effective date for the effectiveness of these rules and regulations a finding of emergency be adopted and, as recommended, that the herein proposed amendment to Section 2100 of Title 2 of the California Administrative Code be adopted as an emergency regulation; that the finding of emergency, which is detailed on page 35 of the Commissioners' calendars, be made by the Commission; that the Commission authorize its Executive Officer to file this emergency amend-

ment with the Secretary of State and the Rules Committee of each house of the Legislature, as prescribed by statute; (4) that the Executive Officer be authorized to institute and maintain such proceedings as will enable the Commission to file the certificate of compliance required by Government Code Section 11422.1 in connection with the adoption of this regu-

lation -- which is a procedural prescription with respect to the adoption of emergency regulations; and (5) that notice be published in the manner prescribed by law, affording interested parties an opportunity to present statements or arguments in writing relative to Section 2100 of Title 2 of the California Administrative Code in its amended form.

It is also recommended that the Commission adopt a separate resolution as follows:

It is hereby resolved that immediately upon the
effective date of the foregoing emergency amendment to Section 2100 of Title 2 of the California Administrative Code, or as soon thereafter as is practicable, all existent or outstanding geophysical or geological survey permits be amended, or re-issued, in such form as will comply with the provisions of said Section 2100, as amended; and that the Executive Officer be authorized to take all steps necessary to effectuate this objective.

The Commission will recall that one of the representations with respect to procedural difficulties which was contained in a letter of protest which has been filed with the Commission was that the Commission had not previously adopted rules and regulations with respect to this subject of geological and geophysical exploration permits. In fact, the Commission did have a double set of conditions for such permits, inasmuch as Section 2100 of Title 2 of the California Administrative Code dealing with such permits was amended to include these permits in 1955. Supplemental thereto, the Commission's procedure in connection with the issuance of permits had been to prescribe additional conditions and controls by resolution of the Commission.

By adoption of the calendar item here under consideration, these additional policy resolutions of the Commission would be adopted as rule and regulation in supplement to the previously existing rule and regulation.

If there are any questions with respect to the
specifics of either the rules and regulations or the reason for this procedure, Deputy Attorney General Howard Golden is here today to answer the Commission if there are such questions.

MR. CRANSTON: Do any of you have any questions?

GOV. ANDERSON: Yes. Now, these Commission rules that you are proposing we adopt here, are they pretty much in substance similar to what has been your procedure in the past from the staff point of view?

MR. HORTIG: With the exception of one addition, Governor, they are not only similar -- they are verbatim transcripts, with such modifications only as necessary to adopt prior language to the form of the rules and regulations; but the substance -- the content of the procedures would be adopted here as rules and regulations without any change in substance.

The one addition would appear on the bottom of page 32 of your agenda, in providing specifically that "Nothing herein contained shall preclude the State Lands Commission itself, in its discretion and upon application duly made, from authorizing drilling operations subject to the same terms and conditions as those which applied to a prior permittee at the same location." "This provision does not authorize any member, officer or employee of the Commission, nor any person performing any function or work assigned to him by the Commission to disclose any information made confidential by law."

Under this procedure, the Commission could consider
applications to duplicate the drilling and exploration of holes that had heretofore been completed under earlier permits authorized by the Commission and issued by the staff.

GOV. ANDERSON: So the rest of these were procedural rules you already had in writing, verbatim, that you followed in your staff operations?

MR. HORTIG: Yes sir.

GOV. ANDERSON: Have you discussed these things at all -- this proposed one thing -- with any representatives of the industry involved?

MR. HORTIG: No sir. We have not had the opportunity to do so. As you recall, our reports and material that had to be reviewed and experted by the Office of the Attorney General have only very recently been received from that office. As a matter of fact, a rather remarkable volume of material has been received in a rather short period of time.

MR. GOLDIN: Governor Anderson, I merely wish to point out that prior to the time that these regulations become permanent, the industry will be afforded a full opportunity to submit statements and arguments in writing -- as I say, before this set of regulations becomes permanent.

GOV. ANDERSON: So that if they have -- actually, there is only one new addition to our normal procedure here that they might be concerned with, or if they feel there are some changes that are different, that we do not feel are any different, they will have a chance to protest this before they...
become effective, and in how much time?

MR. GOLDIN: That isn't quite accurate, Governor Anderson. It will become effective on an emergency basis immediately upon filing with the Secretary of State and the Rules Committees of both houses of the Legislature; but the emergency regulation will remain effective not to exceed one hundred twenty days. In that interval, statutory procedures to make the regulations permanent must be followed, and as part of those procedures an opportunity is afforded interested parties to protest. Thus, it is conceivable that these regulations will contain this provision not to exceed one hundred twenty days and it may be removed if the Commission is convinced during that time by a proper showing that it should be. Do I make myself clear?

GOV. ANDERSON: Reasonably. In other words, if we adopt this now, it goes into effect immediately. It will stay in until it has been approved by the Legislature. Is that the statutory procedure you are talking about?

MR. GOLDIN: No sir. It will remain effective not to exceed one hundred twenty days and during this time the Government Code requires that a statutory procedure must be followed before these regulations can become permanent; and the heart of that statutory procedure is to require the publication of notice and afford opportunity for interested persons to present protests.

GOV. ANDERSON: So this will be in effect one hundred
twenty days and before that time is over we will have a chance to review that before it becomes permanent?

MR. GOLDIN: Yes.

MR. CRANSTON: The recommendation comes in the form of two motions. The first one is as follows:

(1) That the herein proposed amendment to Section 2100 of Title 2 of the California Administrative Code is hereby adopted as an emergency regulation;

(2) That the finding of emergency contained therein is made by the Commission;

(3) That the Commission authorizes its Executive Officer to file this emergency amendment with the Secretary of State and the Rules Committee of each house of the Legislature;

(4) That the Executive Officer also is authorized to institute and maintain such proceedings as will enable the Commission to file the certificate of compliance required by Government Code Section 11422.1 in connection with the adoption of this regulation;

(5) That notice be published in the manner prescribed by law affording interested parties an opportunity to present statements or arguments in writing relative to Section 2160 of Title 2 of the California Administrative Code in its amended form.

A motion is in order.

MR. CARR: Does this require separate motions for each one of these numbers or can it be included in one?

MR. CRANSTON: I would think one motion would cover them all.

MR. HORTIG: For the material just read by the Chairman one motion would appear to be in order.

MR. CARR: I move the adoption of this.

GOV. ANDERSON: I'll second it.
MR. CRANSTON: Is there anyone present who wishes to make any comments?

MR. HEGGENESS: I'd like to make a comment, your Honor, if I might.

MR. CRANSTON: Yes. Would you please identify yourself?

MR. HEGGENESS: My name is Clark Heggeness. I am with the firm of Ball, Hunt and Hart in Long Beach, representing Richfield Oil Corporation.

Of course I recognize it is easy for one lawyer to criticize the work product of another lawyer, but I would make this suggestion -- particularly in subdivision (f) of your regulations, specifically subdivision (1) of section (f) on page 32, fourth paragraph in subdivision (1) -- that the depth granted to an applicant, that he be authorized to drill to the same stratigraphic penetration as a prior applicant.

In other words, in subdivision (1) the only standard given to the State Lands Division is "... factors of location, knowledge or lack of knowledge of the substrate, and other existent technical data, including information available to the Commission but classified as confidential," etcetera.

It is Richfield's recommendation that one of the standards be that an applicant be permitted to go to the same stratigraphic penetration as a prior applicant; also under the fourth paragraph of subdivision (1) permit the Division of State Lands upon reexamination to permit an applicant to
drill to the same stratigraphic depth..." That's Richfield's suggestion.

I think the standards here are ambiguous and the vice that Richfield finds in the present policy is the fact that one applicant can get information which might not be made available to subsequent applicants.

MR. CRANSTON: I think it would be difficult and perhaps dangerous for us to try to amend this at this time. In view of the fact there is a 120-day period before its final adoption, would it be satisfactory with you to submit something in writing to us that we may consider?

MR. HEGGENESS: Yes sir.

MR. CRANSTON: Thank you. Anyone else?

MR. HOME: Mr. Chairman, members of the Commission, my name is Paul Home. I am with Standard Oil Company of California, Western Operations, Inc., and my comments go to the same point as those of Mr. Heggeness, except that we do not necessarily suggest that one permittee be permitted to drill to the stratigraphic equivalent of the prior drilling operation. I feel that it would be sufficient in the last paragraph on page 32 if, after the words "drilling operations" in the third line, there were to be inserted "to the same depth and..." which would carry on thereafter "... subject to the same terms and conditions..." In that way, we would be assured of being enabled to obtain the same information as that which was obtained by a prior permittee which had drilled...
at the particular location.

Now, we have no way of knowing in advance whether any particular permittee did not comply with all of the terms and conditions of the permit. We wish to operate in strict conformity with our permits; however, by inadvertence or otherwise a permittee may have drilled deeper than strict compliance with the permit would permit and we feel that a subsequent applicant should be permitted to duplicate that performance at the same location -- which does not involve the difficult task of correlating between widely separated locations.

MR. CRANSTON: Is the same procedure satisfactory with you in regard to consideration of what you have suggested that I suggested to the Richfield representative?

MR. HOME: We have pending before the Commission an application to duplicate one of the core holes which has been drilled offshore. Whether we would wish to wait 120 days --

We have under contract a barge from which such drilling operations can be conducted. These things are in short supply on the Pacific Coast and if that barge becomes available within 120 days, we would probably wish to use it within that time to conduct drilling operations under our pending application.

MR. CRANSTON: Frank, am I correct in understanding that it might be possible for us at a future meeting to consider these pending applications without waiting for the 120 days?

MR. HORTIG: The staff intent, as supported by the
opinion of the Office of the Attorney General would be to process all pending applications pursuant to the rules and regulations as adopted here this morning, if adopted, which would mean that pending applications would be -- definite attempts would be made to bring the pending applications for approval and consideration of the Commission at the meeting of May 25th insofar as staff recommendations could be made thereon in conformance with the new duly adopted rules and regulations.

MR. CARR: I'd like to ask both the Executive Officer and the Attorney General: Under the suggestions made here, how do we get around the provision of the law as to giving out confidential information? Let's assume a case. Mr. Hortig has a permit to drill a hole to twenty-six hundred feet. I don't know; all I know is he is drilling a hole because I caught him at it. Then I come to the Commission and I ask for permission to drill a hole to that depth -- I don't know what depth it is. Then in order for me to get a permit to drill to twenty-six hundred feet, somebody has to tell me "You can go to twenty-six hundred feet." How can you do that and avoid committing a misdemeanor, can you tell me that, under the law that exists? That is definitely giving the depth of that core hole.

MR. CRANSTON: Mr. Hortig refers that to the Attorney General.

MR. CARR: In case he was shut down at twenty-one hundred feet because he hit oil sand, then I have to tell him
he hit oil sand at twenty-one hundred feet. How would we handle that, as far as the law is concerned?

MR. SHAVELSON: That is the reason, in drafting this paragraph, the last paragraph on page 32 -- the reason that it was provided that the person would be allowed to drill subject to the same terms and conditions and the phrase "to the same depth" was not put in for the very reason you stated. It is our opinion that any information that the State Lands Division obtains, any specific data obtained as a result of the filing requirements of Section 6826, is, of course, made confidential by law; and, therefore, the depth to which he was actually allowed to drill under a particular core-drilling approval is part of that data in all probability.

Therefore, we feel that giving them exactly the same opportunity that the person drilling the prior hole was given to reach a particular depth is as far as we can go in giving equality. Anything beyond that -- which would require a disclosure as to when he was shut down or as to how far he actually went -- I think would require a disclosure to the new permittee of information obtained by the old permittee.

MR. CARR: Then there's another practical question that seems to me to raise itself here; that is, say Mr. Hortig wanted to go to twenty-six hundred feet and did and found nothing; I come along and I want to find something! Then what do I do? Do I apply to go to the same he did or do I apply for a permit to go to thirty-five? Without revealing
confidential information, I have looked over some of these records. In fact, in all of them nobody seems to think they are going to exactly the same depth. Now, they all want to go to the same depth. I don't understand this from a technical standpoint. What are they going to do -- set the depth by the first guy that drills? I'd like to ask Mr. Home or Mr. Heggeress. Is that your intention? Do you want the first guy that drills the hole to set that depth? I don't understand what you want to do. I don't understand how it is going to benefit you.

MR. HOME: No sir, it is not our intention that the depth be limited by the depth first drilled. However, it is our desire that if anyone has drilled to a depth at a particular spot, then the industry generally should be given the same opportunity to drill to the same point.

MR. CARR: What about going further?

MR. HOME: That is within the discretion of the Commission and staff. We can only go to the depth permitted by the Executive Officer. However, we wish a limitation upon his power to prohibit us from going to the same depth somebody else went at a particular spot.

MR. CARR: If it is in order, we have the Chairman, don't we, of the Oil and Gas Committee, Mr. Allen -- if you would care to express yourself on this, I'd like to hear how you rationalize this thing. You are probably in a better position here than I am. What is good about this? It has been my observation that these oil companies are all in
competition with each other. Now, it seems to me they are
tying their own hands -- not that it makes any difference, but
we want to get as thorough an exploration of these reservoirs
as any particular oil company cares to go. Some of them are
willing to spend more money than others, some don't want to
drill at all; but those who want to drill -- what is in the
public interest here so far as restricting, encouraging, or
augmenting these rules? I'd like to hear your reaction.

MR. ALLEN: Well, I came here to address the Commis-
sion on another matter. I have read the proposed rule and I
have no objection to it. I think it's a good rule and in the
public interest and I would urge it be adopted.

MR. GOLDIN: Mr. Cary, may I venture an observation?
I am not tossing this out as an opinion of the Attorney General
because it is tentative, but it may perhaps resolve the objec-
tions of both Mr. Home and Mr. Heggeness and still satisfy the
query that you pose.

Now, tentatively, I believe Mr. Shavelson and I are
of the opinion that the data submitted in an application must
be confidential. Now, that would include the depth limitation
that a particular applicant seeks and, similarly, data filed
with the Commission as a result of core hole drilling must be
regarded as confidential.

However, and as I say tentatively, we are of the
opinion that the depth limitation which is specified in the
core hole drilling permit perhaps may not be confidential.
This isn't something which is required to be filed with the Commission and it doesn't necessarily follow that the limit specified in the core hole drilling permit is necessarily what the applicant asks for, nor is it necessarily the depth which the applicant reaches by drilling -- because it is possible that he may have to stop for another reason. I hope I have made this clear, but I believe that it is possible to work out a practical solution to this equal depth that Mr. Home suggests.

MR. CRANSTON: Well, it would certainly be the desire of the Commission to work out a reasonable solution of this problem if there is one within the language of the law binding our actions. It is my understanding, although I was not here when it happened, that the measure enacted by the Legislature which makes it a misdemeanor for us to divulge any information was written into the law at the behest of the oil companies; and if they want some change, perhaps their recourse should be some revision of that statute.

The real question on depth is how much you limit somebody's activities; whether you are divulging more than a depth figure when you divulge that figure. It seems to me it would be wise to take all these matters under consideration, as we will most carefully, and give full opportunity for any further comments that anyone wishes to make in writing to this Commission; and we will certainly take into consideration those that have been given.

Is there anyone who wishes to comment? (No response)
If not, a motion has been made and seconded on the first portion of this and it is unanimously adopted.

We now come to the next resolution, which is on page 30:

It is hereby resolved that immediately upon the effective date of the foregoing emergency amendment to Section 2100 of Title 2 of the California Administrative Code, or as soon thereafter as is practicable, all existent or outstanding geophysical or geological survey permits be amended, or reissued, in such form as will comply with the provisions of said Section 2100 as amended. The Executive Officer is authorized to take all steps necessary to effectuate this objective.

A motion is in order to implement this.

MR. CARR: I so move. What would the effective date be?

MR. HORTIG: As soon as we can mechanically file copies of the rules and regulations adopted on an emergency basis today by the Commission. We even have hopes of an opportunity to make such filing this afternoon -- in all probability no later than tomorrow.

GOV. ANDERSON: I'll second it.

MR. CRANSTON: Is there anyone who wishes to comment on this item? (No response) Hearing no one who wishes to be recognized, the motion is unanimously adopted.

We move now to Supplemental Calendar Item 17 on page 37, which is - Protest to the award of a proposed oil and gas lease on Parcel 2, Santa Barbara County, Work Order 3810....

MR. HORTIG: Would you refer to page 37-A of the agenda?
MR. CRANSTON: Proposed oil and gas lease, tide and submerged lands, Santa Barbara County, Number 3810, Parcel 2. Frank?

MR. HORTIG: Yes sir. Mr. Chairman, the Commission will recall that at the last meeting the identical item here under consideration was up for consideration by the Commission with respect to the staff recommendation that the Commission accept the highest qualified bid made by Texaco, Inc. on March 3, 1961 for a parcel which has been identified as Parcel 2. At that meeting the Commission deferred consideration of this item in view of the determination to refer the entire question of geological and geophysical exploration permit procedure and its relationship to oil and gas leasing to the Attorney General for opinion, which opinion report has now been received by the Commissioners; and, therefore, the identical item which was on the Commission agenda last meeting, and on which consideration was deferred, has been again presented here for discussion and consideration by the Commission in the light of comments that may be available from protestants here today, other parties in interest, and the Commission's own conclusions in the light of the opinion report from the Attorney General.

MR. CRANSTON: Does anyone wish to be heard on this item? Assemblyman Bruce Allen.

MR. ALLEN: Mr. Chairman, members of the Commission. I am Bruce Allen, member of the Assembly, and presently Chairman
of the Assembly Committee on Manufacture, Oil and Mining.

What I have to say this morning are my own views only. I have not been requested to appear here and I have no interest in any of these oil companies; but I did participate in the committee hearings that led up to the 1957 revisions of the Shell-Cunningham Act and the present law on leasing practices in the State of California in this respect, and I would like to see that the victory we achieved in 1957 be maintained and that the very fine competitive bidding practices of the State of California be continued.

I have also had occasion to conduct investigations into bidding practices of other agencies within the State, a very assorted variety which I would not like to see come upon the State of California.

I have gone over the information that's been available to me with respect to the protests against the two bids that are before the Commission on Parcels 2 and 3 and my purpose this morning is to urge the Commission to accept the high bid on each parcel. The law does give the Commission the jurisdiction to reject all bids and that is in the very wise discretion of the Commission in case the information available to the Commission might perhaps indicate that the bids are all too low and the potential is such that another round of bidding might result in a more adequate payment, or if information is submitted that indicates by virtue of circumstances some bidders did not receive a fair opportunity to bid. It's on
that basis that the protests were submitted at the last meet-
ing of the Commission by Richfield and Pauley.

These protests are based upon the depth to which
Texaco was permitted to drill a core hole on Parcel 2 and the
protest is to the effect that by reason of orders of the State
Lands Division the other bidders were denied an opportunity to
obtain the same information as Texaco.

I feel that this argument is without merit for
several reasons. One of these is indicated by the fact that
the core hole drilled by Texaco, while it was the deepest core
hole drilled on Parcel 2, was not as deep as the core hole
drilled by Richfield on Parcel 3; and if there was anything
wrong with the competitive situation as to Parcel 2, the same
problem would apply to Parcel 3.

The objections made by Richfield and Pauley, as to
both parties, were withdrawn as to Parcel 3 when it turned out
Richfield had the high bid on Parcel 3 — which I think refutes
their own argument on Parcel 2. Furthermore, the core hole
that was drilled by Richfield on Parcel 3 to a depth of forty-
three hundred feet took them only two weeks to drill. This is
not a very extensive or time-consuming operation. It was
drilled after the bid period on Parcel 2, so I don't see where
it could have helped them in their bid on Parcel 2.

My opinion is by virtue of exchanges of information
within the industry Richfield knew a year before the bidding
date approximately on Parcel 2, the depth of the Texaco core
hole on Parcel 2; and if Richfield had been interested in
drilling a core hole on Parcel 2 to that depth, they could
have. They have not said that they applied to the Executive
Officer for a permit to drill a core hole to the same depth
of Texaco and were rejected. There has been no such conten-
tion made before this Commission.

Furthermore, the change in the regulations of the
Commission on the depth to which core holes may be drilled -
and the first change was made in 1959, where the general policy
of going to the nearest stratigraphic and so forth marker was
changed to a policy where the Executive Officer would fix a
depth to which a core hole would be drilled; it has been over
two years since that, about two years since that change was
adopted, and yet as far as my information goes the Richfield
Oil has drilled no new core holes on Parcel 2 since the new
regulation came out. Their only interest was drilling core
holes under the old regulation and they made no attempt to
drill a new one, and they certainly were informed because they
attend all these meetings of the Commission and get the public
information.

Finally, I would like to call to your mind the state-
ment made by one of the officers of the Richfield Oil Company
at the hearing conducted by this Commission in Los Angeles a
year ago, where various oil companies were requesting the Com-
mision to put these parcels up for bid; and this is a state-
ment of Mr. Ragland at that time. This was after Richfield
had participated in the drilling of core holes on Parcel 2, so they already had some information about Parcel 2. This is Mr. Ragland's statement to the Commission on May 31, 1960:

"Richfield believes that the lands should be offered for lease at this time. In our opinion there is no advantage to be gained for the State by deferring the offer and there may be disadvantages both to the State and to the Nation if such offer is long deferred. We are convinced that the Commission need not fear that there will be any dearth of competition if the lands are offered at this time, either in the number of bidders or in the quality of bids, no matter what basis of bidding is decided upon."

That's on page 3 of your transcript. And then Mr. Ragland continues on page 9 of the transcript:

"We know that the offshore lands now under consideration contain oil."

And then again on page 10, Mr. Ragland:

"It is believed that the oil in these unexplored lands under consideration is over 35 degrees gravity and is therefore highly desirable for its content of gasoline, jet fuel, diesel oil, and other like products."

Then Mr. Pauley in the same hearing, on the next day, is quoted on page 110 of your transcript:

"I would say in your cash bonuses that are offered in California or offshore Louisiana or Texas that it is a highly competitive field; that the companies bidding are very intelligent people. They have spent millions of dollars and by and large they know what they are doing. Sometimes we doubt it, but by and large I think the companies do know what they are doing and I think the prices that are bid are truly reflective of the properties that they are bidding on."
Under these conditions and this information, I would submit that the protest to accepting the bids on these two parcels are without merit and I would submit further, just by way of information, that the high bid on Parcel 2 figures out at a cash bonus of $2,247 an acre -- which, for ground that is entirely under water, is a pretty fair price, in addition to which the State would receive the sliding scale royalty that is required by the 1957 legislation.

Now, no system of competitive bidding, no matter how perfect the regulations or statutes, will work if the people who administer it don't want it to work and I do not infer that in any way that is the intent of this Commission; but it is certainly possible to kill a good system of competitive bidding by refusing to accept the high bid when it is offered and letting the word get out that the only high bid that will be accepted is the one made by the right people -- and I would not want to see any inference that that is going to become the situation in California. For that reason I request your favorable action on these two bids.

MR. CRANSTON: Any questions or comments?

MR. HORTIG: Mr. Chairman, might I ask Mr. Allen a question? Mr. Allen, I wonder if you would have any objection to having the record show that the analyses and comments which you have just presented to the Commission were not based on any data made available to you by the State Lands Division other than the transcripts of the State Lands Commission.
meetings which are regularly furnished to you as Chairman of
the Manufacturing Oil and Mining Industry Committee and the
copy of the letter of protest for Richfield Oil of Joseph
Ball, which was furnished to you on specific clearance of Mr.
Ball.

MR. ALLEN: That's correct.

MR. CRANSTON: Bruce, I want to assure you that this
Lands Commission has every intention of maintaining the bid
procedures the Legislature has authorized and we are as eager
as you to get all the revenue we can to the State and to re-
ceive the highest possible bids and approve them wherever
possible.

MR. ALLEN: Thank you.

MR. CARR: May I ask a question, Mr. Chairman? If
we wait until some future date to act on these by any chance,
actually what does this amount to in loss of revenue to the
State? As I see it -- I think you all know how I feel --
I'd like to see these things accepted as soon as we can do it
with the secure feeling that we are not going to involve our-
selves in litigation which would further delay the receipt and
the use of this money. There is a substantial amount of money
in royalties from the oil. What are we thinking about in
deferring income to the State, before we take any action on
this? What is involved if we wait ten days, two weeks?

MR. ALLEN: As I understand the situation, the delay
up to the present time has not entailed any loss because the
high bidder has agreed to the delay. If the Commission rejects the high bid and there is no factual showing of lack of an opportunity to have a competitive situation and there is no information available to the Commission indicating that all the bids are grossly inadequate (which I wouldn't know), then the only inference that is going to get out through the industry is that the high bid will be accepted by the Commission if it's by the right people and otherwise not; and this can destroy the system of competitive bidding that we have set up in the statutes.

MR. CARR: That wasn't exactly my question. I was only thinking about the time factor involved in the use of the money.

MR. ALLEN: I don't see any problem there.

MR. CRANSTON: John, as you well know, we lose a little bit of potential interest when we don't have a dollar in our hands and it is in somebody else's hands, and we have that factor involved -- presuming we were going to spend it immediately, it is ready for investment. Thank you, Bruce.

Anyone else have any comments?

MR. HEGGENESS: I have a comment which applies to not only Item 17 but also Item 18. That is the bid on Parcel 3. And that is this: I don't want to go into the merits of Richfield's dispute. They were fully outlined in this letter to the Commission last month. Richfield's policy now is this: If the Commission decides to accept the bids on Parcel 2 and
3, Richfield will be willing to set aside any action on the award of the bid to Texaco provided on all future parcels it is given the same treatment, that is, they could drill to the same stratigraphic ..... 

MR. CARR: Aren't you asking us to do what Mr. Allen said here? If you aren't happy with any future core hole applications, then they will file a suit on future parcels. Is that a deal we are making here?

MR. HEGGENESS: I don't believe so. I am just stating a policy.

MR. CRANSTON: You either have lying here a protest or you don't. I think you should make it clear.

MR. HEGGENESS: In other words, Richfield will not waive its protest to Parcel 2 unless it is assured it will be given equal treatment on future parcels.

MR. CRANSTON: The Lands Commission assures all oil companies they will be given equal treatment. We will not prescribe what form that will take.

MR. HEGGENESS: Well, I have no authority to withdraw the protest on that basis.

MR. CRANSTON: Do you have any further comments?

MR. GARFINKE: Mr. Chairman, members of the Commission, my name is Jack Garfinke with Pauley Petroleum. Our protest now on the record should be allowed to stand and we wish to make no further protest or withdraw it at this time.

MR. CRANSTON: Thank you very much. Any other comments?
I'd like to ask the Attorney General's representatives for their advice in view of the current situation.

MR. SHAVERSON: May we just have one moment, please?

MR. CRANSTON: Surely. We will take a moment's recess but will reconvene in just a few moments.

(Very short recess)

MR. CRANSTON: The meeting will reconvene. The Commission would like to ask the following question of those who have protested here and of anyone else who might contemplate the idea of protesting. We have one question in our minds as to the propriety of our proceeding to act on these bids at this particular meeting in view of the fact that written agendas circulated prior to our gathering here did not contain formal notice therein that we would consider acting on these bids at this session; and so, while we recognize that Richfield and Pauley have protests based upon other matters, we would like to inquire whether they are willing to waive any protest on the grounds of inadequacy of notice.

MR. HEGGENESS: Yes, Richfield will so wake.

MR. GARFINKE: Pauley will do the same.

MR. CRANSTON: So we then have in the record full recognition of that waiver and we want to express our gratitude to you for helping to remove procedural barriers to our acting. Before proceeding further, the Chair wants to state for the record that he has ......

MR. GOLDIN: Mr. Cranston, I think it also ought to
be asked of these representatives if they want an opportunity to submit additional statements, either by way of argument or fact before the Commission takes action.

MR. HEGGENESS: Richfield has nothing further to submit, your Honor.

MR. GARFINKE: I think we have nothing further to submit. We would like to have the opportunity after I make a report to our Los Angeles office. Will we have such an opportunity?

MR. CRANSTON: This goes to the question as to whether we will now proceed to approve or reject the bids, and the Chair would like to remind all representatives that considerable opportunity has been given to all oil companies to present information to us. I wrote a letter to everybody who has ever indicated any interest in our bidding, inviting information to be presented to us pro and con as to what we were doing, our procedures; and we received many communications from your firm and others and the question is we have not received any indication up to this point that anyone has any further protests.

MR. GARFINKE: We have no further protest and we have waived the notice, and certainly don't want to hold up your proceedings any further.

MR. CRANSTON: In view of that, the Commission feels it has done all it can do to be fair insofar as adequate notice for presentation of views on these bids. Frank, do you wish
to make any further comments?

MR. HORTIG: No further comments unless you wish a statement as to the motions that under these circumstances would be in order for the Commission.

MR. CRANSTON: Does the Attorney General's office wish to make any further statement?

MR. GOLDIN: Mr. Cranston, I believe that you had started to make a statement ....

MR. CRANSTON: The Chair would like to get one thing into the record -- that we have received from the Attorney General their advice that it is proper for the Commission to proceed and that if it wishes to it has adequate grounds for approving the bids that have been presented to us from the legal point of view, quite apart from the value of the oil which is up to us to consider -- whether or not we have received an adequate bid.

Also, for the record the Chair wishes to state that in order to equip himself to act with all adequacy possible that he has familiarized himself with confidential information in possession of the Lands Commission relating to the area under consideration and I think it would be appropriate to get into the record similar statements from the other members of the Commission.

MR. CAHIL: Mr. Chairman, I have familiarized myself with the information that's in possession of the Lands Commission relative to the circumstances under which these bids were made.
as far as our records show.

GOV. ANDERSON: And the same statement for me.

MR. CRANSTON: The following would be the basis of proposed action that the Commission, with this information, would proceed with:

On March 3, 1961 three bids were received in response to a published notice of intention of the State Lands Commission to enter into a lease for the extraction of oil and gas from 4,250.14 acres of tide and submerged lands, designated as W. O. 3810, Parcel 2, Santa Barbara County. This offer was authorized by the Commission on December 22, 1960, Minute Item 31, page 6587.

The Office of the Attorney General has reviewed the highest bid, submitted by Texaco Inc., and has determined that the Commission has complied with the procedural requirements of law and that the bid submitted conforms with (1) the bid requirements specified in the proposal of the Commission; (2) the applicable statutory provision of the law; (3) the rules and regulations of the Commission. A summary tabulation of the bonus payment offers received pursuant to the lease proposal is attached;

It is recommended -- this would be the form of the proposed motion:

It is recommended that in accordance with the provisions of Division 6 of the Public Resources Code, the Commission accept the highest qualified bid made by Texaco Inc.
on March 3, 1961, and authorize the Executive Officer to issue an oil and gas lease to Texaco Inc. for the 4,250.14-acre parcel of tide and submerged lands designated as W. O. 3810; Parcel 2, in Santa Barbara County, as detailed in the published notice of intention under W. O. 3810, Parcel 2, published January 3 and January 10, 1961. The cash bonus payment in consideration of issuance of the lease is to be $9,550,000 as offered in the bid.

Motion is in order.

MR. CARR: Mr. Chairman, I move acceptance of the Texaco bid.

GOV. ANDERSON: I'll second it.

MR. CRANSTON: Is there any further comment by anyone present? (No response) There being no further comment, the motion is unanimously adopted by the Lands Commission.

We proceed now to Supplemental Calendar Item 18 — Proposed oil and gas lease, tide and submerged lands, Santa Barbara County — W. O. 3850, Parcel 3. On April 7, 1961, two bids were received in response to a published notice of intention of the State Lands Commission to enter into a lease for the extraction of oil and gas from 4,250.14 acres of tide and submerged lands, designated as W.O. 3850, Parcel 3, Santa Barbara County. This offer was authorized by the Commission on January 25, 1961, Minute Item 22, page 6683.

The Office of the Attorney General has reviewed the highest bid, submitted by Richfield Oil Corporation, The Ohio
Oil Company, Socony Mobil Oil Company, Inc., and Tidewater Oil Company, and has determined that the Commission has complied with the procedural requirements of law and that the bid submitted substantially conforms with: (1) the bid requirements specified in the proposal of the Commission; (2) the applicable provisions of law; (3) the rules and regulations of the Commission. A summary tabulation of the bonus payment offers received pursuant to the lease proposal is attached.

It is recommended that in accordance with the provisions of Division 6 of the Public Resources Code, the Commission accept the highest qualified bid made by Richfield Oil Corporation, a Delaware corporation, the Ohio Oil Company, an Ohio corporation, Socony Mobil Oil Company, Inc., a New York corporation, and Tidewater Oil Company, a Delaware corporation on April 7, 1961, and authorize the Executive Officer to issue an oil and gas lease to the aforesaid bidders for the 4,250.14-acre parcel of tide and submerged lands designated as W. 0. 3850, Parcel 3, in Santa Barbara County, as detailed in the published notice of intention under W. 0. 3850, Parcel 3, published February 3 and February 10, 1961. The cash bonus payment in consideration of issuance of the lease is to be $1,355,111 as offered in the bid.

Motion is in order.

MR. HORTIG: Mr. Chairman, may I ask the Attorney General's representative as to the desirability of the record showing at this point that all prior protests with respect to
the issuance of this lease have been withdrawn.

GOV. ANDERSON: Which were the protestants?

MR. HORTIG: There were protests again by Richfield and Pauley.

GOV. ANDERSON: Both of them have been withdrawn, including Richfield's?

MR. HORTIG: That is correct. Richfield first and Pauley second.

MR. CRANSTON: You have received written notice to this effect?

MR. HORTIG: No sir. The Commission received verbal notice to this effect from Attorney Ball for Richfield at the last meeting. We did receive written notice from Mr. Pauley to this effect.

MR. SHAVELSON: The fact is, Mr. Hortig, there are no pending protests?

MR. HORTIG: That is correct.

MR. SHAVELSON: And you merely wish the record to so reflect?

MR. HORTIG: That is correct.

MR. CRANSTON: The record should also reflect the members of the Commission have looked at the files and explored the information available to us on this field, too. I have done so....

MR. CARR: And I have.

MR. CRANSTON: And you....
GOV. ANDERSON: Yes. Wouldn't it be wise to have the record show that Richfield has withdrawn their protest instead of letting it rest on the other item?

MR. SHAVELSON: That is a matter of record.

MR. HEGGENESS: I don't think Richfield ever protested Bid 3. They requested the bidding be deferred and that was ....

MR. GOLDIN: In any event, Mr. Heggeness, the communication filed by Richfield speaks for itself.

MR. HEGGENESS: It does, your Honor.

MR. CRANSTON: Are there any further comments?

(No response) Motion is in order.

MR. CARR: I move the acceptance of this bid.

GOV. ANDERSON: I'll second it.

MR. CRANSTON: There being no further comments, the motion is unanimously adopted by the State Lands Commission.

We now move to Supplemental Calendar Item 19 -- H. R. 4390 - Proposed amendment to Submerged Lands Act -- W. O. 721 -- back on page 40, the bottom of the supplement. Frank, do you want to make any comments?

MR. HORTIG: Yes sir. House Resolution 4390, as introduced in the House of Representatives by Mr. Brooks of Louisiana, and which has been referred to the Committee on Judiciary, would amend the existing Submerged Lands Act by which all coastal states receive clearance of title to tide and submerged lands. It would be amended to confirm that the
seaward boundaries of all coastal states would be three marine leagues seaward of the coastline in lieu of the present language of the Act, which is in effect, which provides for a limit of three geographical miles. This procedure, applicable to all coastal states in the United States, would accomplish a clarification as to the position of this boundary and a rectification so that there would uniformity as to these locations, inasmuch as this same distance has been upheld in decisions of the United States Supreme Court in connection with the determination of the offshore limits of the states of Florida and Texas.

The Office of the Attorney General has also reviewed this legislation and has advised the Commission that the passage of the said bill would be in the interests of the State of California; and, therefore, it is recommended that the Commission (1) declare its support for House Resolution 4390 as attached to the Commissioners' agenda; (2) authorize the Executive Officer to submit a proposed resolution for consideration during the current session of the Legislature urging enactment thereof by the Congress ("thereof" referring to H. R. 4390) -- urging enactment thereof by the Congress of the United States; and (3) authorize the Executive Officer to take appropriate steps in cooperation with the Office of the Attorney General to enlist support for said bill.

MR. CRANSTON: Motion is in order.

GOV. ANDERSON: I'll make it.
MR. CARR: Second.

MR. CRANSTON: Any comments?

MR. ROSE: I might just say since Senator McBride had a particular interest in this area, I spoke to him about it yesterday and he is very much in agreement with the proposed calendar item suggested and would aid in presenting it to the Legislature.

MR. CRANSTON: We move to the regular calendar — confirmation of minutes of meetings of February 7, February 15 and March 7, 1961.

MR. CARR: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Item 2 -- Permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statutes: (a) State of California, Division of Highways -- right-of-way easement, 1.70 acres of Tuolumne River lands, Stanislaus County; item (b) State of California, Division of Highways -- Additional right-of-way easement .05 acre sovereign lands of Mokelumne River; item (c) State of California, Division of Highways -- Extraction of materials from sovereign lands, Tuolumne River, Stanislaus County; item (d) County of Sacramento, 49-year easement, 0.22 acre submerged lands of American River plus temporary working easement 30 feet in width, Sacramento County, for sewer outfall.

Any comments on those? (No response) Motion is in order.

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

MR. CRANSTON: Moved, seconded and unanimously approved.

Item 3. Are those things deferred, Frank?

MR. HORTIG: Item 3, items (a) and (b), it is proposed these items be deferred to June 22nd.

GOV. ANDERSON: For the record, I have three telegrams from the Mayor of City of Palos Verdes Estates, the City Manager of Redondo Beach, and the City Manager of the City of Torrance.

MR. CRANSTON: Item (c) — Permit to excavate 8500 cubic yards of material at royalty of three cents per cubic yard from bed of Napa River, Napa County. Any comments?

(No response) Motion is in order.

MR. CARR: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Unanimously approved. Item 4 — Selection of vacant Federal lands on behalf of the State:

(a) 240 acres Trinity County, pursuant to application of Frank P. Donahue; (b) 635.69 acres in San Bernardino County, pursuant to application of George McCarthy; (c) 640 acres San Bernardino County, pursuant to application of George McCarthy; (d) 560 acres in San Bernardino County, pursuant to application of George McCarthy.

MR. HORTIG: In all four instances, Mr. Chairman, the original applicants for whom the requests were filed with
the Federal Government chose to withdraw. These lands are now available for selection and inclusion in the State Land list and it is recommended that this be done.

MR. CARR: Move.

GOV. ANDERSON: Second.

MR. CRANSTON: Approved unanimously. Item 5 -- Authorization for Executive Officer to notify City Council of City of Oxnard that present value of State-owned tide and submerged lands proposed to be annexed under Resolution No. 2439 is $840,000.

MR. HORTIG: As the Commission is aware from prior analogous actions, if it is proposed by a city to include in an annexation uninhabited tide and submerged lands of the State of California, a report of the valuation of those lands must be included in the annexation proceedings and the State Lands Commission is the designated agency to make the evaluation and the report and also to submit objections to the annexation, if any is indicated to be in the interests of the State. In this instance, there appear to be no bases for recommending to the Commission any objection to the annexation and, therefore, it is recommended that the Commission authorize the Executive Officer to inform the City Council of the City of Oxnard of the value which has been determined by the Lands Commission as applying to the lands proposed to be annexed.

MR. CRANSTON: Motion is in order.

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

MR. CRANSTON: Moved by Governor Anderson, seconded by John Carr, unanimously approved.

Item 6 -- Authorization for Executive Officer to approve map entitled "Plat of Lands East of Levee and West of Belmont Slough in Section 25, T. 4 S., R. 4 W, MDB&W, San Mateo County, California," prepared by Wilsey, Ham & Blair, Engineers; and authorization for Executive Officer to enter into agreement with T. Jack Foster fixing the boundary line described in the proposed agreement as the boundary line between certain State and upland property in San Mateo County.

MR. HORTIG: The Commission will recall several months ago the awarding of a lease for mineral extraction from an area known as San Bruno Shoals, which is to be used in developing an area of extensive low-lying upland; and in order to determine and fix for all time, because the natural boundary will be obscured by this development, survey was completed and it is recommended that the survey of the legal boundary line be approved and recorded so this will be a matter of record despite physical elimination of the original location in the future as a result of the excavation and dumping operations which will be carried out -- again under terms and conditions of a State Lands Commission lease.

MR. CRANSTON: Motion is in order.

GOV. ANDERSON: So move.

MR. CARR: Second.
MR. CRANSTON: Moved, seconded, unanimously adopted.

Item 7 -- Consideration of following land reports made by staff to the Commission: (a) Report No. 1 - re school and swamp and overflowed lands; (b) Report No. 2 - re indemnity (lieu) land selections; (c) Report No. 3 - re exchange applications.

MR. HORTIG: Mr. Chairman, in summary -- and this is the neatest trick of the week in view of the volume of the reports, the Commission will recall that on May 24, 1960 by resolution the further acceptance of applications to sell or transfer state lands was placed in abeyance subject, however, to staff completion of any conveyances that would be made pursuant to valid applications pending on that date.

In the course of processing to completion the balance of such pending applications, at the meeting of January 26, 1961 the Commission directed the suspension of further processing of the remaining pending applications and requested the preparation of a report on the number and status of such applications and specific descriptive data as to the lands. This report, in three volumes as listed -- relating to the three classes of land which we have been processing: school, swamp and overflowed is one, indemnity or lieu land is two, and exchange applications is three -- has heretofore been delivered to the Commission, together with recommendations, which are repeated in the agenda item appearing on pages 25 and 26 -- which, again, in summary recommend that the suspension order
of January 26, 1961 be rescinded and that again the staff be
authorized to complete only those applications for land that
were valid and pending on May 24, 1960, which would thereafter
be followed with the initial report bearing on the initial
request of the Commission on May 24, 1960 of a larger and more
detailed report with specific recommendations as to future
policy determinations by the Commission with respect to the sale
or handling or exchange of the other remaining vacant State
lands and lands to which the State is still entitled by way
of indemnification from the United States by reason of losses
to the school land grant.

MR. CARR: I so move.

GOV. ANDERSON: Second.

MR. CRANSTON: The motion is moved, seconded,
unanimously adopted. Does that conclude everything under
that item, Frank?

MR. HORTIG: Yes sir.

MR. CRANSTON: Item 8 -- Authorization for Executive
Officer to execute supplementary agreement with Remington Rand
in sum of $19,000 on lands index project.

MR. HORTIG: Under Section 127 of the Government Code
the Lands Commission is charged with the responsibility and
the Lands Division has the mechanical problem of establishing
and maintaining an index of lands located in California which
are under the jurisdiction of the United States. Bases for
initiating such an index were explored under a pilot agreement
with Remington Rand and the Legislature has included $19,000 in the Division's support budget for 1960-61; and although the original $27,000 allocated to do the exploratory work has not as yet been fully expended, the additional current fiscal year appropriation of $19,000 will be needed to carry the expanded program forward and these balances should be encumbered by means of a supplemental agreement to be placed in effect prior to June 30, 1961, the end of the current fiscal year.

The agreement is in an amount beyond that which the Executive Officer is authorized to enter into under delegations of authority, so it is recommended that the Commission authorize the issuance and execution of the necessary supplemental agreement, in order that the funds which are available may be encumbered and properly applied to continuation of this project.

MR. CRANSTON: Authorizing motion is in order.

MR. CARR: I'll so move.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded and unanimously carried.

We come to the final item -- scheduling of next Commission meeting, which is Thursday, May 25, 1961 at 10 a.m. in Sacramento.

GOV. ANDERSON: So move.

MR. CARR: Second.

MR. CRANSTON: Moved, seconded, unanimously carried.

Meeting is adjourned. ADJOURNED 11:43 A.M.
I, LOUISE H. LILICO, hearing reporter for the Division of Administrative Procedure, hereby certify that the foregoing forty-one pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION on May 4, 1961 at Sacramento, California.