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TRANSCRIPT OF  
MEETING  
of

STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA  
MAY 25, 1961

PARTICIPANTS:

THE COMMISSION:

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

Messrs. F. J. Hortig, Executive Officer  
Don Rose, Executive Secretary to  
Lt. Gov. Anderson  
Kenneth C. Smith, Public Lands  
Officer, State Lands  
Division

OFFICE OF THE ATTORNEY GENERAL:

Messrs. Jay L. Shavelson, Deputy Attorney General  
Paul M. Joseph, Deputy Attorney General

APPEARANCES:

(In the order of their appearance)

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

Mr. J. Barton Hutchins, Pauley Petroleum

Mr. K. M. Cook, Richfield Oil Corporation

Mr. Harold A. Lingle, Deputy City Attorney,  
City of Long Beach

Reporter: Louise H. Lillico  
Division of Administrative Procedure



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1 MR. CRANSTON: Will the meeting please come to  
2 order? Lieutenant Governor Anderson will be with us shortly  
3 and we should start at this time.

4 In order to assure that, with the slightly short  
5 morning, we cover certain essentials, we will first pick up  
6 Supplemental Calendar Item Number 23. Frank, would you  
7 proceed with it?

8 MR. HORTIG: Mr. Chairman, the Commissioners will  
9 recall the adoption on May 4, 1961 of emergency rules and  
10 regulations relating particularly to the drilling of explora-  
11 tion core holes under State Lands Commission permit, and  
12 that those rules as adopted provided in part that nothing  
13 therein contained shall preclude the Lands Commission itself  
14 in its discretion and upon application duly made from author-  
15 izing drilling operations subject to the same terms and condi-  
16 tions as those which applied to a prior permittee at the same  
17 location; and it was also provided that there is no authori-  
18 zation to any member, officer or employee of the Commission,  
19 nor any person performing any function of work assigned to him  
20 by the Commission to disclose any information made confidential  
21 by law -- which are the exploration results achieved by any  
22 permittee in the drilling of a core hole.

23 Applications have been received from Standard Oil  
24 Company of California, Western Operations, Inc.; Pauley  
25 Petroleum Inc., and Gulf Oil Corporation of California for  
26 authorization to drill submarine core holes the same depth and

2  
1 at the same location as core hole 7D50 drilled by Texaco under  
2 State permit in April 1960. The specific core hole was  
3 drilled at a surface location which is identified by the  
4 California coordinates given in the calendar item; and in view  
5 of the problem on disclosing the depth which was reached with-  
6 out contravening the prohibition against such disclosure both  
7 in the statute and the rules and regulations, Texaco Inc. has  
8 consented in writing to the release by the Commission of the  
9 total depth reached in this core hole 7D50 in connection with  
10 issuance of any permits for authorization of additional holes  
11 at the same location.

12 For purposes of authorization, as will be recommended  
13 to the Commission, copies of the permit form and well drilling  
14 authorization which were originally issued for the core holes  
15 are attached as Exhibits (a) and (b) respectively, the intent  
16 being that any permits authorized by the Commission this morn-  
17 ing will contain in composite form all of the same terms and  
18 conditions which were applicable to the drilling of core hole  
19 7D50 by Texaco in April 1960.

20 Therefore, it is recommended that the Commission  
21 authorize the Executive Officer to issue permits, in accordance  
22 with the rules and regulations to Standard Oil Company of  
23 California, Western Operations, Inc., \* Payley Petroleum Inc.,  
24 and Gulf Oil Corporation of California individually, authorizing  
25 the drilling of core holes at locations within 100 feet of the  
26 surface location of abandoned core hole 7D50, the hole previously

\* Lieutenant Governor Anderson arrived at this point.

1 drilled by Texaco. The core holes are to be permitted to be  
2 drilled under these special permits to a total depth not in  
3 excess of 4905 feet below the top of the Kelly bushing at an  
4 elevation twenty-seven feet above sea level, or whatever ad-  
5 justments are necessary to compensate for changes in datum  
6 plane, these measurements being those that were applicable to  
7 the Texaco core hole 7D50; the drilling to be subject to the  
8 same terms and conditions which applied to Permittee Texaco  
9 in the drilling of core hole 7D50.

10 Representatives of the applicants for these permits  
11 are all here today in the event the Commission has any further  
12 questions with respect to the propriety or necessity for issu-  
13 ance of the core hole permits as recommended.

14 MR. CARR: I don't have any questions, do you? I  
15 move approval.

16 GOV. ANDERSON: Second.

17 MR. CRANSTON: Approval moved and seconded. Does  
18 anyone wish to discuss this motion?

19 GOV. ANDERSON: Have we ever allowed this before?

20 MR. HORTIG: No sir.

21 GOV. ANDERSON: This is the first time, now, that  
22 we will have allowed other companies to go in and drill a core  
23 hole at a similar location, or almost the exact location, of  
24 a prior permit?

25 MR. HORTIG: That is correct, sir; but, conversely,  
26 the Commission has never denied this authority, either. The

1 are the first applications ever received by the Commission to  
2 perform such an operation; and, also, this is now provided for  
3 specifically in the discretion of the Commission in the rules  
4 and regulations adopted on May 4th.

5 GOV. ANDERSON: Have they ever - - I realize it is  
6 the first time it has ever got to the Commission - - but have  
7 they ever been denied or in a sense stopped by the staff?

8 MR. HORTIG: No sir.

9 GOV. ANDERSON: In other words, there has never been  
10 an inference in any way .....

11 MR. HORTIG: No.

12 MR. CRANSTON: Our clear purpose here is to give  
13 equal opportunity to all oil companies and be as fair as we  
14 possibly can in our administration of the law. We face certain  
15 difficulties in this, but we intend to do everything we can  
16 to be as open and fair as we possibly can in our approach to  
17 the problem. Don?

18 MR. ROSE: The item shows that Texaco Inc. consented  
19 in writing. I'd like to ask what would be the position of the  
20 staff or Commission if they had not consented.

21 MR. HORTIG: Then we would have an unresolved problem  
22 which we were wrestling with up to the time and didn't conclude  
23 until we did receive consent from Texaco.

24 MR. CRANSTON: Any further questions?

25 GOV. ANDERSON: If Texaco hadn't written this, would  
26 we be doing something different today?

1 MR. HORTIG: Not necessarily, sir. We had not  
 2 reached a conclusion and the Attorney General's office had  
 3 under study similar methods under which these permits might be  
 4 authorized to the specified depth without revealing confiden-  
 5 tial data, assuming that the depth reached in core hole 7D50  
 6 was of a confidential nature. In this instance, we have no  
 7 concern over this because we have the consent from Texaco; and  
 8 I hear Deputy Shavelson behind me and I am sure he can give  
 9 you further details on the legal concepts involved.

10 MR. SHAVELSON: We had formerly advised the staff  
 11 that we didn't feel that the contents of the core drilling per-  
 12 mit given to the prior applicant was confidential under 6826,  
 13 which makes the results, the records from the drilling opera-  
 14 tion, confidential -- but doesn't make the permit that they  
 15 were given confidential; and that is why we recommended the  
 16 specific language that is contained in the regulations that  
 17 the subsequent applicant be allowed to drill under the same  
 18 terms and conditions as those under which the prior applicant  
 19 had drilled. Under those circumstances it would seem just  
 20 about inevitable that he would get exactly the same results --  
 21 in other words, he would be allowed to go to a particular  
 22 depth unless prior to that depth there were significant shows  
 23 of oil and gas or whatever the terms of the earlier permit  
 24 were; and if a subsequent permittee would be allowed to do the  
 25 same thing, he would be allowed to go to the same depth as had  
 26 the earlier one. Therefore, without disclosing what had

1 happened, we felt that under those circumstances the subsequent  
2 permittee would achieve the same results as the earlier one --  
3 without violating the law.

4 GOV. ANDERSON: Do you feel because we have the  
5 consent of Texaco at this time that we are doing something  
6 in this action in Item 23 that we would not do if they had not  
7 given us that permission?

8 MR. SHAVELSON: Yes, if the specified drilling depth  
9 is different from that contained in the permit given to Texaco,  
10 yes, I would say that this is different.

11 GOV. ANDERSON: So in the future if we have a similar  
12 request and the person who had drilled the previous core hole  
13 was not willing to give this permission, then what would our  
14 action be?

15 MR. SHAVELSON: Then our action would be -- If  
16 the Commission determined it would be in the best interests of  
17 the State, then our action would be to allow the new permittee  
18 to go under the same terms and conditions as the earlier one.  
19 In other words, if they were allowed to go to 6,000 feet under  
20 the earlier permit but were told to cease upon reaching oil  
21 and gas, then the new permittee would be allowed to go to  
22 6,000 feet unless there were significant shows.

23 GOV. ANDERSON: In other words, we would let him, in the  
24 first instance, go to only 5,400 feet. Now, we let the other  
25 company come in and tell them to go to 6,000 but we would stop  
26 them at 5,400 without telling them we are going to stop them?

1 MR. SHAVELSON: Exactly -- because telling them to  
2 stop there would be revealing confidential results, and we  
3 couldn't do that.

4 MR. CRANSTON: The motion having been moved and  
5 seconded, approval is unanimously carried on Supplemental Item  
6 23.

7 Moving backwards to Supplemental Item 22 -- Frank?

8 MR. HORTIG: -- which appears on your calendar page  
9 31. On April 25, 1961 counsel for Richfield Oil Corporation  
10 wrote to the State Lands Commission -- and this is in summary,  
11 without reference to specific data, but summary of the con-  
12 fidential attachment to the Commissioners' copies of the  
13 calendar. The representations by Richfield's counsel were:  
14 (1) challenging the validity of the action of the Commission's  
15 staff on April 14, 1961 suspending drilling on core hole  
16 Gaviota 5 on lease parcel 4 in Santa Barbara County, at a  
17 location approximately 1500 feet westerly of Texaco core hole  
18 7D50 -- which is, for the information of the Commission, the  
19 same core hole for which permits have been granted for triple  
20 duplication; and, secondly, the right was requested to complete  
21 the drilling of core hole Gaviota 5 by Richfield to the same  
22 stratigraphic depth as Texaco core hole number 7D50. This  
23 means to the same physical depth as the layers or the strati-  
24 graphy or geography which were purportedly encountered in core  
25 hole 7D50.

26 The letter further requests that bidding be deferred

1 on parcel number 4, (which has not yet been authorized by the  
2 Lands Commission, parenthetically) until Richfield and all  
3 other interested parties have been given an opportunity to  
4 obtain the same information as Texaco. The substantive content  
5 of the letter contains material made confidential by law, so  
6 it cannot be attached hereto for public distribution.

7 Since the Richfield letter is critical of staff  
8 action in connection with the aforementioned order to suspend  
9 drilling of core hole Gaviota number 5, it is recommended that  
10 the Commission review and evaluate said order; and the con-  
11 fidential information with respect to the drilling of the  
12 hole and the conditions imposed, which were standard conditions  
13 in the permit, have been made available to the Commissioners  
14 for their individual review.

15 As to the request for approval of further drilling,  
16 the staff has reviewed its files, including material and data  
17 made confidential by law. The staff has determined that Rich-  
18 field core hole Gaviota number 5 is not at the same location  
19 as Texaco core hole number 7D50, as is obvious from the fact  
20 it is located 1500 feet westerly, and based on the factors  
21 set forth in the now existent rules and regulations of the  
22 Commission and the difference in location between the Richfield  
23 core hole and the Texaco core hole 7D50 and the Commission's  
24 knowledge of the location of the substrata which are the subject  
25 of Richfield's request for permission to drill deeper, the  
26 staff recommends denial of said request without prejudice,

1 however, to granting approval to Richfield, upon proper appli-  
2 cation, to drill to the same depth and at the same location  
3 as Texaco core hole 7D50 if Richfield so desires -- and which  
4 would mean that there would be a fourth duplication, under  
5 those circumstances, of the Texaco core hole for which the  
6 Commission has already authorized three permits this morning.

7 Representatives of Richfield are in the audience if  
8 the Commission desires to call upon them for further comment.

9 MR. CRAWSTON: Does anyone wish to make any comments?

10 MR. HEGGENESS: I do, your Honor. My name is Clark  
11 Heggeness with Ball, Hunt and Hart of Long Beach, representing  
12 Richfield Oil Corporation. Of course, I can't elucidate or  
13 enlarge upon our letter request of April 25, 1961 because it  
14 contains information which is confidential. I think that  
15 letter speaks for itself. I will say this ....

16 GOV. ANDERSON: You are referring to the letter of  
17 April 25th that we have?

18 MR. HEGGENESS: Yes sir.

19 MR. CARR: Well, that's not confidential if your  
20 principals wish to release that information, is it? It's only  
21 confidential as far as the Commission is concerned. The Com-  
22 mission or any of its employees can't release any of this  
23 information, but you can.

24 MR. HEGGENESS: That's right. We do not wish to  
25 release the information. Therefore, were I to elucidate upon  
26 the request and argue it, I would be disclosing information

1 for which Richfield and its associates paid a lot of money.

2 I will say -- in passing Item 23 and granting it,  
3 the basis was to give all companies equal opportunity. It  
4 seems to me to be consistent and give Richfield equal oppor-  
5 tunity, the request of April 25, 1961 should be granted. The  
6 only difference between the permission granted under Item 23  
7 is that the new core hole in that case is proposed to be  
8 drilled at exactly the same location. The only difference  
9 between Items 22 and 23 is that in this case the core hole is  
10 to be drilled in a different location. All Richfield is asking  
11 is that it be given permission to go to the stratigraphic depth  
12 of core hole 7D50.

13 In other words, I don't see how the Commission can  
14 distinguish in principle between a core hole drilled at one  
15 location and a core hole drilled at another location when it  
16 comes to stratigraphic penetration.

17 MR. CARR: I think there is a geological answer to  
18 that, Mr. Hortig?

19 MR. HORTIG: In response to Mr. Carr's question,  
20 there is not only a geologic answer to the situation but also  
21 one in the regulations -- that the authorizations now in the  
22 regulations for the Commission to consider granting permits  
23 for drilling to a deeper depth previously reached by another  
24 operator relate to the same location, where such deeper depth  
25 was previously encountered, as provided by Section 2100(f)(1)  
26 of the Commission's rules and regulations which became effective

1 May 4, 1961, and possibly a short form answer - - and here  
2 I have to draw analogies because I am under even more of a  
3 hazard than Mr. Heggeness in discussing the specifics of the  
4 situation, because the statute provides that automatically  
5 I could be guilty of a misdemeanor and it doesn't cover him.  
6 Mr. Heggeness, if he makes such a revelation -- he would  
7 simply be in the doghouse with his principals. The situation..

8 MR. CARR: This is the first time they have ever  
9 explored for oil in this particular room, isn't it?

10 MR. HORTIG: I think it would not be unreasonable to  
11 state that in development of an oil field, even after a field  
12 is known to exist, that the average step\_out distance in  
13 cautiously exploring in an area where there is already known  
14 production in California, probably doesn't reach more than an  
15 average of 600 feet. In other words, wells are in existence;  
16 the next feeder well to the outskirts may be located about  
17 600 feet away because these things have to be explored step  
18 by step; and even in a field where there has been considerable  
19 development, there is always a hazard that more than 600 feet  
20 away could find you in a strange new world rather than provide  
21 you with an additional oil well.

22 That being the case, it must be patent that there  
23 is a tremendous potentiality for extreme difference in geo-  
24 logical conditions between two core holes drilled 1500 feet  
25 apart, as has been the case here.

26 MR. HEGGENESS: In answer to what Mr. Hortig said,

1 again it is a question of degree rather than principle, it  
2 seems to me. If you are going to adopt the policies I am  
3 sure you have in your regulations and you have by acting on  
4 Item 23, of equal treatment for all explorers, it seems to  
5 me whether the cor hole is drilled in the identical location  
6 or not that each explorer should be able to go to the same  
7 stratigraphic depth as the previous one.

8 MR. CRANSTON: I think the final paragraph of this  
9 letter can be read without divulging any information.

10 "Richfield requests that it be permitted to complete Core  
11 Hole Gaviota Number 5 to the same stratigraphic depth as  
12 Texaco Core Hole No. 7D50 and that bidding be deferred on  
13 parcel 4 until all other parties be given the same opportunity  
14 to obtain the same information as Texaco" -- and I think under  
15 the action we have taken all parties will be given the same  
16 opportunity.

17 MR. NEGENESS: Of course, if you deny Richfield's  
18 request in their letter of April 25, 1961, there might be  
19 room for a difference of opinion. We would take the position  
20 we were denied the same opportunity.

21 MR. HORTIG: Mr. Chairman, I think it would have to  
22 be almost self-evident that the only way, as pleaded for in  
23 the letter you just quoted, that Richfield and all other  
24 interested parties be given an opportunity to obtain the same  
25 information as Texaco would necessitate that such parties be  
26 given the opportunity to drill at the same location to the

1 same depth and perform the same tests. Drilling 1500 feet  
2 away, in view of our complex California geology, would re-  
3 quire interpretation and interpolation as to results and  
4 the probable immediate case, then, that there is a difference  
5 of opinion on that interpretation as between the State Lands  
6 Commission geologists and possibly those of Richfield; and  
7 yet under the law we cannot explain to Richfield what they  
8 accomplished and what they didn't accomplish because we are  
9 prohibited from doing so.

10 MR. HEGGENESS: That's correct. In other words, you  
11 can't disclose the information -- we can and we choose not to  
12 because of the money that was spent to obtain the information.  
13 I think it's a matter for the judgment of the Commission.

14 Again I will say if you are familiar with the doc-  
15 trine, which I am sure you are, of equal treatment -- the  
16 application ought to be granted.

17 MR. CRANSTON: Do you have anything further?

18 MR. HEGGENESS: No.

19 GOV. ANDERSON: Your feeling is that unless you be  
20 given permission to drill 1500 feet away to the same depth  
21 you are being discriminated against, but you don't feel you  
22 can come within a hundred feet of this and get the same answer?

23 MR. HEGGENESS: Perhaps I haven't explained it  
24 properly to you, Governor. We don't feel we are entitled to  
25 go to the same depth 1500 feet away. We claim we ought to be  
26 able to go to the same stratigraphic depth; in other words,

1 that wouldn't be the same vertical depth.

2 GOV. ANDERSON: Then how could we tell you that  
3 without telling you where the original person went?

4 MR. HEGGENESS: As I understand it, the depth of  
5 the original application or original explorer is not held in  
6 confidence by the Commission. Mr. Shavelson just made that  
7 statement.

8 GOV. ANDERSON: I think it is.

9 MR. SHAVELSON: Texaco has released the absolute  
10 depth.

11 GOV. ANDERSON: In this case Texaco has released  
12 it, but if they hadn't we couldn't tell them?

13 MR. SHAVELSON: No, Governor. In this case Texaco  
14 has revealed the absolute depth, but in order to correlate  
15 in this location 1500 feet away and the Texaco location, I  
16 think we would have to disclose to this group additional  
17 information other than the depth. Isn't that right, Mr.  
18 Hortig?

19 MR. HORTIG: Completely -- and that, of course, is  
20 prohibited by law.

21 MR. HEGGENESS: You are talking about facts of which  
22 I have no knowledge and I cannot answer.

23 MR. CRANSTON: We are placed in that position also.

24 MR. HEGGENESS: In answer to the Governor's question,  
25 we don't claim we want to go to the same vertical depth --  
26 the same stratigraphic depth.

1 MR. HORTIG: If I may compound the confusion for  
2 the Commission, the circumstance could arise where a permittee,  
3 even at a location where Richfield drilled, had reached the  
4 same stratigraphic depth -- which would be of tremendous sig-  
5 nificance to them to know. Thus, while the Commission's staff  
6 could not tell the permittee this, despite the fact that the  
7 permittee was claiming that they should be permitted to reach  
8 the same stratigraphic depth, they had already encountered it  
9 in fact. The ramifications and complications due to this  
10 are endless. It has to be a matter of judgment. It is sub-  
11 mitted that the judgment of necessity must be made by the  
12 technical staff of the Commission, who are the administrative  
13 body who are administering these State-owned lands; and the  
14 only question I feel that should be raised in propriety is  
15 whether or not these judgments are being exercised uniformly  
16 with impartiality and, particularly, uniformity as to all  
17 permittees; and I believe as a result of the last reports that  
18 the Commission considered on May 4th, the heart of the Commis-  
19 sion's conclusions to proceed with prior lease offers was  
20 predicated on the fact that there had been conformity with the  
21 Commission's policy, and which are now rules and regulations.

22 Perhaps one solution -- perhaps Richfield and its  
23 group would be willing to make public its information on its  
24 core hole it talked about if Texaco would be willing to make  
25 public all its information.

26 MR. CRANSTON: That is a matter for you to go into

1 with Texaco.

2 MR. HEGGENESS: That's right. Other than that, I  
3 am ready to submit the matter. Do you have a question, Mr.  
4 Carr? You started to ask one.

5 MR. CARR: No, I think Mr. Hortig covered it.

6 MR. CRANSTON: Although this is headed "Informative,"  
7 actually there should be action sustaining our position?

8 MR. HORTIG: Action for the Commission. The reason  
9 for the variance in format of calendar items to the Commission  
10 it would have appeared presumptuous for the staff to make a  
11 firm recommendation. This would be made automatically. This  
12 would be in view of the prior confidential matters presented  
13 to the Commission and representations made here this morning,  
14 on motion in the first instance by the Commission.

15 MR. CRANSTON: Does anyone wish to speak to this?  
16 (No response) The staff recommendation is for denial of  
17 Richfield's request without prejudice to granting approval to  
18 Richfield upon proper application to drill to the same depth  
19 at the same location as Texaco Inc. Core Hole No. 7D50.  
20 Motion is in order.

21 MR. CARR: Mr. Chairman, it is my judgment, in hav-  
22 ing reviewed this and also the confidential information, that  
23 a motion to deny conforming with the recommendation of the  
24 staff complies with our new regulations, as well as with the  
25 law, and I make that motion.

26 GOV. ANDERSON: I'd like to ask Mr. Hortig a few

1 questions if I could and let the motion stand before I second  
2 it. This is a confidential letter and I don't intend to ask  
3 any questions that are divulging anything, but there are  
4 some things I am a little concerned about. I am checking  
5 this spot at the bottom of page 1, where it says that Rich-  
6 field contended that the conditions of the permit had not been  
7 violated and any significant showing of oil and gas or poten-  
8 tial oil and gas has not been encountered. Is this divulging  
9 confidential information to ask you if this statement of  
10 theirs is true or not?

11 MR. HORTIG: I believe not, and it is true this was  
12 Richfield's contention, however exactly contrary to the staff's  
13 analysis of the results; and this, again, is the age-old prob-  
14 lem of who's going to make the decision, when the terms of  
15 the permit are to be applied -- a permit which had the require-  
16 ments and conditions in it and which had been accepted in  
17 writing by Richfield Oil as the permittee.

18 GOV. ANDERSON: Then there was a finding of the  
19 staff that significant showings had been found, is that it?

20 MR. HORTIG: That either a combination of, or  
21 individually, the conditions that would require a suspension  
22 of drilling based upon significant showings of oil or gas,  
23 or potential oil and gas sand having been encountered --  
24 that either or both of these had occurred.

25 MR. SHAVELSON: May I suggest we are treading ....

26 GOV. ANDERSON: We are being asked to make some

1 discussions on some things that are pretty close here?

2 MR. SHAVLISON: Yes.

3 MR. HORTIG: As long as Richfield doesn't tell how  
4 deep they were at the time, we are fine.

5 GOV. ANDERSON: That was my feeling -- if we kept  
6 away from some of the figures here we would be all right.

7 The next point -- I was a little concerned that when  
8 you had told them, or your field men had told them, to stop  
9 and they objected to this and they wanted to continue on,  
10 then you said (or your foreman said) they couldn't continue  
11 unless a written request outlining in detail the reasons for  
12 wishing to continue drilling would be required. Now, is  
13 this a normal thing -- that we ask for a written request on  
14 something like this?

15 MR. HORTIG: If I may state the circumstances under  
16 which this request was received and the timing, I think it  
17 will shed light on it, Governor; and it was not the staff man,  
18 it was me personally who relayed this statement to Richfield  
19 at approximately 4:45 p.m. on a Friday afternoon -- at which  
20 time these questions always seem to arise, unless they arise  
21 at midnight on Sunday; and this isn't intended to be facetious --  
22 it just seems to happen that way in fact.

23 When the Richfield oral request was received, as  
24 noted in the letter of protest I immediately called for con-  
25 sultation with the representative of the Office of the Attorney  
26 General, in view of the fact the Attorney General was at that

1 time studying the prior pending objections with respect to the  
 2 total core drilling program, on which the Attorney General has  
 3 since reported to the Commission and on which the Commission  
 4 took action on May 4th. So as not to add any additional con-  
 5 fusion to the situation, I wanted to be certain that we had  
 6 legal advice on what should be done with such a situation.

7 GOV. ANDERSON: That was Friday -- April 14th, on  
 8 Friday?

9 MR. HORTIG: Right. The recommendation of the Office  
 10 of the Attorney General -- and we don't have our file notes  
 11 here, I know, but the situation is very clear in my memory --  
 12 the recommendation was that in view of the fact that the  
 13 staff interpretation of the applicability of the permit terms  
 14 and conditions and the necessity for ordering the shutdown  
 15 was completely to shut down in the justification of the technical  
 16 staff, that a request for a modification of the permit, which  
 17 had been accepted in writing previously by the permittee,  
 18 should not be undertaken orally without documentation, first,  
 19 to assure that everyone was talking about the same thing at  
 20 the same location; and these oral requests, I might add,  
 21 involved one, two, three -- well, two representatives of Rich-  
 22 field and one attorney for Richfield at approximately fifteen-  
 23 minute intervals, plus discussions by staff with the geologists  
 24 and an expression of difference of opinion as to just what  
 25 geologic strata had been reached or what the accomplishments  
 26 on reaching the particular depth signified.

1           Upon recommendation of the Office of the Attorney  
2 General, then, it was suggested -- to assure that no erroneous  
3 hasty judgments would be formed by the staff of the State  
4 Lands Commission -- that the specifics of the further opera-  
5 ~~tion~~ proposed by Richfield should be submitted in writing;  
6 that, additionally, there was -- and it was pointed out to  
7 Richfield at the time -- there was the hazard that should be  
8 considered that if, in fact, they had reached a particular  
9 stratigraphic depth that was significant in relation to that  
10 reached in any other trial holes, while the easiest thing for  
11 the staff to do would be to permit them to drill deeper, this  
12 could automatically permit Richfield to drill deeper -- to  
13 the disadvantage of all other segments of the industry, a  
14 condition which Richfield had abhorred and protested to the  
15 Commission, which protests were being considered by the  
16 Office of the Attorney General, were being studied at that  
17 time.

18           The manager of the oil department of Richfield,  
19 Mr. F. McPhillips -- I believe the initial is correct -- told  
20 me at approximately 5 p.m. on this particular Friday, April  
21 14th, that the conclusion had been reached (not final; this  
22 would be next to the last conclusion), first, that operations  
23 would be suspended, and that a written request would be forth-  
24 coming that afternoon. This was modified subsequently to  
25 state that a request would be forthcoming on the following  
26 Monday. This was finally modified to report that Richfield

1 had decided to plug the hole; that their technical staff felt  
2 that while they plugged the hole and moved away with the  
3 drilling equipment, if subsequently they received any authori-  
4 zation to drill deeper that they could enter the hole and  
5 drill to a deeper depth, even as applied for today to the  
6 Commission.

7 You note that April the 14th was Friday. This would  
8 have made April the 17th the Monday, on which it was reported  
9 that the written application by Richfield would be received  
10 by State Lands. The first receipt of any material by State  
11 Lands Division was subsequent to that time, was this letter of  
12 protest of April the 25th.

13 GOV. ANDERSON: Supposing the information of the re-  
14 quest was given to you at 4:45 on Tuesday -- how much time  
15 would you have asked them to wait then, instead of on Friday?  
16 Is this because it was Friday evening that there was a delay?

17 MR. HORTIG: No sir, because of the necessity of  
18 staff re-evaluation and consultation with the Attorney General's  
19 office in view of the other pending protests with respect to  
20 the core hole drilling procedure; and at a time when the  
21 Attorney General's office had not yet completed its conclusions  
22 and had not yet reported to the Lands Commission as to what  
23 practices the staff should follow; and our prior standard  
24 practices having been questioned, it was felt that the  
25 practices or their perpetuation needed very careful scrutiny  
26 so as not to add any new bases for protest.

1           GOV. ANDERSON: Is this the first time that they  
2 stopped someone that they didn't wish to go further? Have  
3 you always made them do it in writing in the past?

4           MR. HORTIG: No sir, we have never had an application  
5 for extension, verbally or in writing, or a demand to drill  
6 deeper after they had been suspended in accordance with the  
7 terms of the permit.

8           GOV. ANDERSON: In other words, you stopped them at  
9 a certain depth and they did not pursue it because you told  
10 them they were at the end?

11          MR. HORTIG: I must assume that.

12          GOV. ANDERSON: And this is the first time they  
13 went beyond and made oral request and put it in writing?

14          MR. HORTIG: That's right.

15          GOV. ANDERSON: And heretofore you asked them to  
16 put it in writing?

17          MR. HORTIG: That would have been right. We never  
18 had the question to proceed after an order to shut down.  
19 Mind you, Governor, these stop orders during the course of  
20 drilling core holes have been a minimum as compared to the  
21 total number of core holes drilled.

22          GOV. ANDERSON: I would assume in almost every case  
23 there would be a stop order...

24          MR. HORTIG: No sir.

25          GOV. ANDERSON: ... where they find something.

26          MR. HORTIG: Where they find something.

1           GOV. ANDERSON: Any time they run into something  
2 you are going to stop them; they are going to want to go fur-  
3 ther -- that's natural.

4           MR. HORTIG: My point was that of the total number  
5 of core holes permitted to be drilled, only a limited number  
6 have encountered the control conditions under the permit.

7           GOV. ANDERSON: This is one last general question:  
8 I wonder why we were not informed of this communication at  
9 the May 4th meeting, when it came in on the 25th?

10          MR. HORTIG: I am not clear at the moment as to  
11 the actual date of receipt of this protest. However, this  
12 specific letter was considered as a portion of the matter  
13 considered by the Attorney General and reported to the Com-  
14 mission as a matter of policy and procedure at the meeting  
15 of May 4th.

16          MR. ROSE: This letter?

17          GOV. ANDERSON: Was this letter made a matter of  
18 record?

19          MR. HORTIG: It had been offered to the Office of  
20 the Attorney General for study.

21          MR. ROSE: But not to the Commission.

22          MR. HORTIG: No sir.

23          GOV. ANDERSON: I am not too sure it would have  
24 changed our action, but at least the contents of the letter  
25 should have been made available to us inasmuch as it was  
26 addressed to the Commission; and it might or might not have

1 affected the action at that meeting. That was the concern  
2 here -- that it opened up on my part -- that it wasn't at the  
3 May 4th meeting.

4 MR. HORTIG: If I may have a moment, Governor --  
5 On April 26th letter to Mr. Joseph Ball from me stated:

6 " This will confirm the receipt of your letter of  
7 April 25, 1961 on behalf of Richfield Oil Corporation,  
8 requesting that Richfield be permitted to complete  
9 core hole Gaviota Number 5 to the same stratigraphic  
10 depth as Texaco 7D50 and that bidding be deferred  
11 until Richfield and all other interested parties have  
12 been given an opportunity to obtain the same informa-  
13 tion as Texaco.

14 Inasmuch as the bases for approval of specific  
15 core hole drilling proposals are currently under study  
16 by the Office of the Attorney General in a review of  
17 the geological exploration program and its relation to  
18 the award of oil and gas leases, your letter has been  
19 referred to the Office of the Attorney General for  
20 consideration in this review. Your request will be  
21 processed immediately upon receipt and analysis of  
22 the aforesaid review report from the Office of the  
23 Attorney General."

24 Carbon copies to Chairman Cranston, Member J. E. Carr, and  
25 Member G. M. Anderson; and on that same date the letter had

26

1 been forwarded to the Office of the Attorney General and had  
2 been included in the considerations which resulted in the  
3 recommendation and our referenc es in the confidential report  
4 by the Attorney General's Office to the Commission.

5 As a result of that consideration by the Commission  
6 on May 4th, it has been the staff conclusion that with the  
7 adoption of the emergency rules and regulations and the dis-  
8 cussion which was had before the Commission, including the  
9 discussions by Richfield Oil Corporation which were made to  
10 the Commission on that date, that this entire problem had  
11 been disposed of.

12 Subsequent to the meeting, Mr. Heggeness (here  
13 present today) inquired whether there would be specific Com-  
14 mission consideration and specific reply, separately from the  
15 sum total discussion that the Commission had on May 4th,  
16 based on the contentions of their letter of April 25, 1961;  
17 and I thereupon assured him that inasmuch as this was desired  
18 that this would be brought back to the Commission as a specific  
19 item, and this is the first meeting we have had since that  
20 conclusion on May 4th.

21 GOV. ANDERSON: You sent the letter, then, to Mr.  
22 Ball, acknowledging his letter and telling him you had referred  
23 it to the Attorney General and you sent each of us copies of  
24 your letter acknowledging receipt of it?

25 MR. HORTIG: That's correct.

26 GOV. ANDERSON: But we did not see the letter itself

1 actually until it came to us yesterday?

2 MR. HORTIG: Until it arrived with your exhibits  
3 on your supplemental calendar items delivered this week.

4 GOV. ANDERSON: Why could we not have received that  
5 letter with the same marking of "Confidential" and that it  
6 had been referred to the Attorney General's office for study  
7 and advice?

8 MR. HORTIG: You could have. The practice, as I  
9 discussed it with you earlier this week, had been heretofore --  
10 and the problem never having been raised under any other cir-  
11 cumstances -- the practice from a standpoint of security of  
12 data had been to hold individual copies only of confidential  
13 material in the locked files of the Lands Commission -- avail-  
14 able, of course, to the Commissioners if they desired to  
15 review the specific data, and to bring this to the attention  
16 of the Commission -- which was the reason for the copies of  
17 the letter to Mr. Ball-- that such a letter had been received  
18 and had been referred to the Office of the Attorney General;  
19 and the substance and the legal effect on the proceedings of  
20 the Commission were reported on to you gentlemen at the  
21 meeting of May 4th, or immediately preceding, by the confiden-  
22 tial report of the Office of the Attorney General.

23 We have not heretofore -- and this has been the  
24 first exception -- distributed confidential information to  
25 the Commissioners except on their request, simply as a security  
26 matter in order to obviate the necessity of keeping track of

1 numerous copies of this type of data.

2 GOV. ANDERSON: In this case we got the report,  
3 the confidential report, a report of the Attorney General,  
4 on some things that we took action upon two or three weeks  
5 before we got to see the initial letter of protest in this  
6 case.

7 MR. HORTIG: Except that the substantive matter of  
8 the protest was considered by the Office of the Attorney  
9 General and reported on to you in his report, which you had  
10 prior to May 4th.

11 MR. CRANSTON: We took no substantive action on  
12 this particular matter relating to Parcel 4, did we?

13 MR. HORTIG: No sir, you have not yet -- to this  
14 moment you have not.

15 MR. CRANSTON: The actions we took related to  
16 other parcels.

17 GOV. ANDERSON: Yes, but it's all related. I have  
18 learned a few things today that I didn't learn at that meeting.  
19 Maybe I am slower. I have no further questions.

20 MR. HEGGENESS: Could I make one comment in response  
21 to what Mr. Hortig said? That is this: I interpreted Mr.  
22 Hortig's remarks as being somewhat in criticism of what  
23 Richfield's attitude was on April 14th, Friday afternoon.  
24 Remember this -- it costs approximately five or six thousand  
25 dollars a day standing out there in the ocean waiting for a  
26 decision of the Lands Commission, so had Richfield waited for

1 a decision of the Commission until Tuesday, it would have  
2 incurred an expense of twenty or twenty-five thousand dollars.  
3 It was for that reason that Richfield decided to pull off the  
4 well and submit the matter for decision by the Commission.

5 MR. CARR: Mr. Chairman, I'd like to comment on  
6 that. I think this is a chain of circumstances here which  
7 involves no blame on the Richfield Oil Company or the staff  
8 or the Commission. The fact that this shutdown occurred on  
9 Friday afternoon is just a matter of, in point of time, where  
10 they got to this place.....

11 MR. HEGGENESS: That's right.

12 MR. CARR: ... which, in the judgment of the staff,  
13 was the place to suspend them. I would be very sympathetic  
14 with any rules or any procedure which we could adopt which  
15 would remove that hazard from the exploration and drilling for  
16 oil, but I don't think we can do it. That's simply the way  
17 the ball bounces. I certainly sympathize with the decision  
18 of the staff that because of the delicate nature of this  
19 piece of information, I believe a written request for reversal  
20 of the order to stop was in order. I would hesitate to urge  
21 the staff to respond to oral requests over the telephone in  
22 a matter as important as extension or modification of existing  
23 practices and regulations.

24 I think in equity, it seems to me that the adoption  
25 of these new regulations and this policy which is backed up  
26 by these new regulations is going to give everybody an equal

1 chance to information. As we have been able to determine  
2 so far, this really covers this, don't you think so?

3 MR. HEGGENESS: Mr. Carr, I am not sure the regula-  
4 tions cover the specific problem before you. I find nothing  
5 in the regulations pertaining to the procedure before the  
6 Lands Commission of permitting further drilling, except  
7 where the hole is drilled at the same location. By "same  
8 location" if you mean the same parcel, it does; if you don't,  
9 it doesn't.

10 MR. CRANSTON: We have requested all interested per-  
11 sons to give us recommendations, and if you can come up with  
12 some proposals we would appreciate that.

13 MR. HEGGENESS: I will say we will do that. I feel  
14 the Commission has intent to deny this. If they do, I think  
15 it should be without prejudice.

16 MR. CRANSTON: That's the staff recommendation.

17 MR. HEGGENESS: I think if you are going to deny it,  
18 it should be without prejudice to further application; but I  
19 do wish to explain Richfield's pulling off the well rather  
20 than standing and waiting and spending \$25,000.

21 MR. CARR: I'd like to ask Mr. Heggeness the differ-  
22 ence between "without prejudice" and "without prejudice."

23 MR. CRANSTON: The "without prejudice" in the motion  
24 would relate to only - - It states "without prejudice to  
25 granting approval to Richfield Oil Corporation upon proper  
26 application to drill to the same depth and at the same location

1 as Texaco Core Hole No. 7D50." So if you want a more  
2 general "without prejudice," it would be without prejudice  
3 to any application.

4 MR. CARR: Does the Attorney General have any  
5 comment on that language?

6 MR. SHAVELSON: Certainly, whether or not that is  
7 inserted, there is nothing to stop -- the Commission's  
8 action doesn't raise res judicata, and there would be nothing  
9 to stop Richfield from renewing the application and the Lands  
10 Commission coming up with a different result; so I don't have  
11 any objection to that language. I don't think it is particu-  
12 larly necessary.

13 MR. HEGGENESS: I would say if you are going to deny  
14 our request on the merits there is no sense to add "without  
15 prejudice." If you are going to deny it on procedural grounds,  
16 it should be without prejudice. In other words, you may amend  
17 your regulations in the future on an application submitted to  
18 you, whereby you might grant the renewal. Of course, if it is  
19 denied on the merits, there is no point in doing it without  
20 prejudice to a later application. I don't know if I made  
21 myself clear.

22 MR. CARR: No. It reminds me of language in another  
23 situation where someone described a situation as being more  
24 apparent than real, and I am still ....

25 GOV. ANDERSON: In your suggestion, how would you  
26 suggest the wording would be?

1 MR. HEGGENESS: "Without prejudice," period.

2 MR. CARR: That's all right with me. Let's put it  
3 in.

4 GOV. ANDERSON: In the stratigraphy, the staff  
5 denies without prejudice -- why does that do to us?

6 MR. SEAVELSON: I have no idea, Governor. Seriously,  
7 I think it should be without prejudice to some specific thing.

8 MR. CRANSTON: Without prejudice to some further  
9 application?

10 MR. SEAVELSON: That's fine.

11 MR. HEGGENESS: Except as I suggested .....

12 MR. CRANSTON: I suggest -- the staff recommends  
13 "without prejudice to the consideration of further applications  
14 and without prejudice to granting approval" etcetera...

15 MR. CARR: I don't know what we are getting into  
16 here, but will take a chance.

17 GOV. ANDERSON: If the Attorney General's Office  
18 approves that, I'll second.

19 MR. CRANSTON: The Lieutenant Governor seconds that;  
20 and if there is no other comment, it is unanimously approved.

21 MR. HUTCHINS: Mr. Chairman, my name is Hutchins.  
22 I'd like to address myself to Calendar Item Number 23, as a  
23 result of this discussion on 22 -- because Mr. Hortig referred  
24 to a fact that this would grant the fourth go-around on this  
25 area, would be the fourth core hole. The reason I mention  
26 this is because when Mr. Hortig read the recommendations, he

1 didn't read them as printed exactly. He inserted the word  
 2 "individually" on the fourth line. I would like to know if  
 3 that would preclude the issuance of a joint permit, if any  
 4 three of these companies or two of them might apply for a  
 5 permit.

6 MR. HORTIG: If I may answer, Mr. Chairman, the  
 7 intention was to point out that three permits were recommended  
 8 to be issued pursuant to three individual applications. If,  
 9 on the other hand, joint operations are desired subsequently  
 10 on the part of two or three of the permittees operating under  
 11 one permit, this would be completely proper and feasible and  
 12 without the necessity for any further Commission action.

13 MR. HUTCHINS: O.K., that's the question I wanted  
 14 to be sure was clear.

15 MR. HORTIG: This would be a matter of business  
 16 negotiations between the permittees.

17 MR. HUTCHINS: I appreciate that, but just wondered  
 18 if it would require further application or further action by  
 19 the Commission.

20 MR. CRANSTON: The understanding is that it would not.

21 MR. HUTCHINS: Fine.

22 MR. CRANSTON: What would be the procedure if someone  
 23 else wanted to drill there?

24 MR. HORTIG: It would have to be brought under the  
 25 rules and regulations of the Commission for specific Commis-  
 26 sion decision at a meeting.

1 MR. CARR: Let me ask you this: Is there any concern  
2 to the Lands Commission what financial arrangements any com-  
3 panies make for the drilling of a core hole?

4 MR. HORTIG: No sir.

5 MR. CARR: It would be my understanding, Mr. Hutchins,  
6 that any one of these exploration permits, no matter whose  
7 name it is taken out under, the information we assume is in  
8 the possession of the people who did exploration is their  
9 property and they can do what they want with it and if they  
10 want to sell it is no business of the Lands Commission.  
11 Whether you had several parties either before or after you  
12 individually applied for a permit is no concern of ours.

13 GOV. ANDERSON: In other words, any one of these  
14 four -- the Gulf Oil Company could apply for a permit and  
15 could hire any company not named here to do the exploration  
16 for them, I would feel, as long as the permit is taken out  
17 in any of these four names.

18 MR. CARR: Are any other names.

19 MR. HORTIG: The drilling will have to be the  
20 responsibility of a named party to the permit -- but the  
21 financial participants or those who are going to share in the  
22 results are a matter of business negotiation of the permittee.

23 MR. CARR: Is that clear?

24 MR. HUTCHINS: In answer to Mr. Carr's question, it  
25 was because the word "individually" was placed in there and  
26 we wanted to be sure that there was no limitation of granting

1 these permits to just individual companies as a result of  
2 the application before you.

3 MR. CRANSTON: This is understood.

4 MR. HUTCHINS: Thank you.

5 MR. CRANSTON: We proceed to Item 7 -- Authoriza-  
6 tion for Executive Officer to offer 4,250.14-acre parcel of  
7 tide and submerged lands in Santa Barbara County for oil and  
8 gas lease - Parcel 4. Frank?

9 MR. HORTIG: Yes sir -- page 25 of the regular  
10 calendar. In accordance with the sequential bidding procedure  
11 approved by the Lands Commission on November 15, 1960, it is  
12 recommended that the Commission authorize the Executive Officer  
13 to offer a parcel of tide and submerged lands in Santa Barbara  
14 County for oil and gas lease, pursuant to Division 6 of the  
15 Public Resources Code; that the lease award is to be made to  
16 the qualified bidder offering the highest cash-bonus payment  
17 in consideration of the issuance of an oil and gas lease; the  
18 bid-lease form used for the parcel shall be in the form adopted  
19 by the Commission in November 1960; and the proposed lease  
20 area is described as Parcel 4, which has been under consider-  
21 able discussion with the Commission heretofore; that the lease  
22 rental to be specified under the Public Resources Code be at  
23 the rate of \$1 per acre per year.

24 In view of the actions the Commission has taken for  
25 authorization of the drilling of additional core holes on  
26 Parcel 4, it is suggested that the closing date for bids on

1 Parcel 4 be set approximately ninety days hence, rather than  
2 approximately the more standard closing heretofore of sixty  
3 days after Commission authorization, in order to afford the  
4 opportunity for the permittees to actually complete the core  
5 holes before bids would be submitted.

6 MR. CRANSTON: If another company wishes to drill,  
7 would there be adequate time to do so, before our next meeting  
8 to apply and proceed to drill?

9 MR. HORTIG: They would have, under those circum-  
10 stances, still sixty days -- which, as far as drilling time  
11 is adequate but is dependent upon the availability of drilling  
12 equipment of a capacity sufficient to do this type of operation.  
13 This is not an off-the-shelf item in a hardware store, and  
14 contracts for this type of operation must be negotiated, and,  
15 on the other hand, it cannot be forecast that this would not  
16 be adequate time. The time limit patently must be set by the  
17 Commission or else we could have a series of requests suggest-  
18 ing leasing be withheld for two years on the prospective  
19 intent of some permittee to possibly drill a core hole.

20 MR. CRANSTON: With the expectation that perhaps  
21 Richfield or some other company, seeing what we have done  
22 today, would want to drill a core hole at this same location,  
23 I should think this ninety days would be flexible enough to  
24 give them adequate time, providing they apply in time to  
25 drill.

26 MR. HORTIG: If this should not be the fact, the

1 closing date would still be under the control of the Commission

2 MR. CRANSTON: Motion is in order.

3 MR. CARR: I so move.

4 GOV. ANDERSON: I second.

5 MR. CRANSTON: Motion to approve the staff recom-  
6 mendation on Parcel 4 is moved and seconded. Is there any  
7 comment? (No response) If not, the action is taken unanimously

8 Now we can return to the regular calendar. First  
9 is Number 1 classification -- Permits, easements, and rights-  
10 of-way to be granted to public and other agencies at no fee,  
11 pursuant to statute. Item (a) application -- Pacific Telephone  
12 and Telegraph Company -- Proposed authorization of approval  
13 of submarine cable with necessary appurtenances across 0.16  
14 acre submerged land of the Merced River, Merced County. Is  
15 there any comment on this item (a)? (No response).

16 Item (b) -- City of Seal Beach (Mr. Carr left  
17 meeting at this point) -- Amendment of Permit P.R.C. 2348.9  
18 to permit increase of forty feet in width of tide and submerged  
19 land area, Seal Beach, Orange County, to provide for construc-  
20 tion to increase stability of the present pier.

21 Glenn, do you want to make a motion?

22 GOV. ANDERSON: I move.

23 MR. CRANSTON: Motion is moved and I will second it  
24 to approve these items. They are so approved.

25 Item 2 -- Permits, easements, leases, and rights-of-  
26 way issued pursuant to statutes and established rental policies

1 of the Commission: (a) American Smelting and Refining Company -  
2 Construction of a craneway to be located on wharf covered by  
3 Lease P.R.C. 618.1 in Carquinez Strait near Crockett, Contra  
4 Costa County.

5 GOV. ANDERSON: Is there a fee on this, or is this  
6 a part of a previous lease?

7 MR. HORTIG: This is part of a previous lease. The  
8 previous lease requires that any alterations, etcetera, are  
9 subject to Commission approval, so the Commission can consider  
10 it and that no adverse type of structure is placed on the land.  
11 This is an asset rather than a detriment, therefore it is  
12 recommended to be approved.

13 MR. CRANSTON: Item (b) L. W. Mehaffey -- 15-year  
14 lease for a boat-berthing facility, 0.07 acre submerged land  
15 in bed of Taylor Slough, Contra Costa County; annual rental,  
16 \$150.

17 Item (c) Richfield Oil Corporation -- Deferment of  
18 drilling requirements under Oil and Gas Lease P.R.C. 1466.1  
19 to January 1, 1962 to permit conduct of further studies to  
20 determine feasibility of drilling additional wells into the  
21 leased land from other locations.

22 GOV. ANDERSON: Will you explain that a little?

23 MR. HORTIG: Yes, Governor. Particularly with  
24 reference to questions which you had raised at the time of the  
25 last grant of extension, at which time considerable debate  
26 was expended on the desirability of a two-year grant of

1 deferment -- which two years was actually a typographical error,  
2 in that one year only was set -- our problem was finally solved  
3 on your motion that a six-month deferment be granted, with the  
4 statement to the permittee that if additional time actually  
5 became necessary in fact or desirable, that this item could  
6 again be considered by the State Lands Commission.

7 GOV. ANDERSON: So it's coming up for the second time?

8 MR. HORTIG: This is the reconsideration.

9 GOV. ANDERSON: Where is it?

10 MR. HORTIG: This is the area that was leased pursu-  
11 ant to competitive bidding at Rincon Field, as shown on the  
12 page preceding the calendar item on the map which you have  
13 attached, and on which on staff study the development to date  
14 as reported by Richfield has been in conformance with the  
15 lease terms and conditions; and there is a definite economic  
16 problem for justification of the drilling of additional wells  
17 which can be resolved, or it is hoped will be resolved, as a  
18 result of additional possible wells drilled and completed on  
19 the ocean floor at a future time, when the selection for loca-  
20 tion can be made, in the western portion of the lease.

21 GOV. ANDERSON: In other words, we can expect every  
22 six months or so a continuing deferment of this until they  
23 determine how successful the ocean floor drilling is?

24 MR. HORTIG: Actually, the first ocean floor comple-  
25 tion and the only one on the California coast is successfully  
26 operating on this lease now. It is a question of selecting

1 additional locations for such drilling, which it is contem-  
2 plated would be made, or started at least, within this six  
3 months' extension.

4 GOV. ANDERSON: Wouldn't that be several extensions?

5 MR. HORTIG: They are not individual leases. It is  
6 the fact that the contract requires a particular rate of  
7 drilling wells. This has been satisfied up to the present time.  
8 Time is now running and the lessee is not actually in a posi-  
9 tion to decide the optimum location for his next well, which  
10 probably would be selected at a location where it would be  
11 bottom-completed by a method which is already proving to be  
12 successful. So this next six-month period is solely for the  
13 purpose of determination of where we drill the next well.  
14 The representatives of Richfield are here if you desire any  
15 further specifics.

16 GOV. ANDERSON: You probably feel this deferment of  
17 six months will take care of this?

18 MR. HORTIG: And I would like to direct that ques-  
19 tion to the representative of Richfield, as to their antici-  
20 patory developments of the program they have under way.

21 MR. COOK: I think, Governor, the six-month period  
22 will be sufficient to determine where to go with another well.  
23 Frank hasn't pointed out that during the present period of  
24 deferment we drilled two holes on the lease, one which was  
25 unsuccessful and tended to limit what we thought was the  
26 producing area; so we have got to figure out where to drill

1 the next well.

2 GOV. ANDERSON: How many are they supposed to drill  
3 under the present lease?

4 MR. COOK: Well, it requires one well every fifteen  
5 acres down to 6,000 feet; one well to thirty acres below 6,000  
6 feet.

7 MR. CRANSTON: Thank you very much. Item (d) Rich-  
8 field Oil Corporation -- 49-year right-of-way easement for  
9 construction, maintenance and operation of a submarine pipe  
10 line, 7.5 acres tide and submerged lands, Pacific Ocean near  
11 Coal Oil Point, Santa Barbara County; annual rental, \$213.05.

12 MR. HORTIG: As shown on the map of Exhibit B, the  
13 second page following calendar page 7, the area identified is  
14 P.R.C. 308.1, just at the coast line. The outer limits repre-  
15 sent the limits of an existing tide and submerged lands lease  
16 issued pursuant to competitive bidding in the 1940's by the  
17 State Lands Commission. Production has not yet been developed  
18 from this lease. Richfield is currently drilling at the loca-  
19 tion identified as "Prod.Head" on the seaward end of the parcel,  
20 as shown on the map -- the proposed production head. If this  
21 well is successful, then it is proposed that the well will be  
22 completed on the ocean floor, as will be reported in a later  
23 item; and conveying the products of this well to the shore  
24 to an existing tank farm would require a proposed submarine  
25 pipe line, which would be partially on the leased property and,  
26 as you can see, to the west and north partially on heretofore

1 unleased property of the State of California, being tide and  
2 submerged lands; and application has been made for a 49-year  
3 right-of-way easement to cover that portion of the pipe line  
4 which would be placed on the ocean floor over hitherto un-  
5 leased tide and submerged lands.

6 MR. CRANSTON: All right?

7 GOV. ANDERSON: I think so.

8 MR. CRANSTON: Item (e) Southern California Gas  
9 Company and Southern Counties Gas Company of California --  
10 49-year pipe line right-of-way easement, 0.831 acre vacant  
11 State school land, San Bernardino County; total rental, \$100.

12 Motion is in order to approve all of these under  
13 Classification 2.

14 GOV. ANDERSON: Is that \$100 for the 49 years?

15 MR. HORTIG: Yes sir. If you will refer to the map  
16 following calendar page 8, you will see that the pipe line  
17 crosses only 346 feet in the southeast corner of Section 36  
18 of the vacant State school lands. It is an interstate pipe-  
19 line and the optimum routing from both sites makes it desirable  
20 to intersect the State lands, but only 346 feet.

21 GOV. ANDERSON: When they put a pipe line, how deep  
22 do they put it?

23 MR. HORTIG: It is partly dependent on the size of  
24 the pipe and pressures to be transported. There are safety  
25 rules and regulations and specifications.

26 GOV. ANDERSON: Roughly?

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MR. HORTIG: Six, maybe.

GOV. ANDERSON: Six feet? In other words, this wouldn't interfere, get into water for agriculture?

MR. HORTIG: No sir. They are all below plow depth. They do this for the safety of their pipe lines. In addition, there are rules and regulations to remove all hazards.

GOV. ANDERSON: Make the motion.

MR. CRANSTON: Second the motion, item approved.

Item 3 -- City of Long Beach projects -- approvals required pursuant to Chapter 29: (a) Subsidence studies, State Lands expense, Chapter 29 (2nd phase); estimated project expenditure from May 25 to June 30, 1961, of \$2,000, all estimated as subsidence costs; item (b) Pier A, Berths 208-209, transit shed and area development (first phase) -- estimated subproject expenditure from May 25, 1961 to termination of \$239,000, with three percent or \$7,170 estimated as subsidence costs; (c) Roads and streets; raise W strip and Seaside Boulevard on Terminal Island (2nd phase) -- Estimated subproject expenditure from May 25, 1961 to termination of \$1,000,000 with 86 per cent or \$860,000 estimated as subsidence costs; (d) Subsidence maintenance -- Estimated project expenditures from July 1, 1961 to June 30, 1962 of \$168,000, all estimated as subsidence costs; (e) Subsidence studies (2nd phase) -- Estimated project expenditure from July 1, 1961 to June 30, 1962 of \$251,000, all estimated as subsidence costs; (f) Removing pipe line trestle navigational obstacle from Los

1 Carritos Channel by constructing an underwater crossing --  
 2 Expenditure from City's share of tideland oil revenues subse-  
 3 quent to May 25, 1961 of not more than \$20,000 nor more than  
 4 12.5/65ths of cost of construction; subject to condition that  
 5 City has no intention of replacing vehicular bridge and that  
 6 work must conform to plans heretofore submitted.

7 MR. HORTIG: The items categorized by the Chairman  
 8 are all pursuant to specific application by the City of Long  
 9 Beach under the authority -- for consideration by the State  
 10 Lands Commission under Chapter 29, 1956; have all been reviewed  
 11 by the technical staff and are all recommended for approval,  
 12 subject to the standard conditions in Commission advance  
 13 approvals -- that the amounts to be allowed ultimately will  
 14 be determined on final engineering review and audit subsequent  
 15 to the time when the work authorized is actually completed.

16 MR. SHAVELSON: May I ask one question, Frank? On  
 17 Calendar Item 11, there might be a little ambiguity. It  
 18 says "... not more than \$20,000 nor more than 12.5/65ths of  
 19 the cost of construction." Is that whichever is higher or  
 20 whichever is lower?

21 MR. HORTIG: It is whichever is lower. Actually,  
 22 the details on pages 16 and 18, I think, clarify this. The  
 23 summary does leave that ambiguity and I might explain that  
 24 peculiar fraction of 12.5/65ths results from the fact that  
 25 there is an allocation within the contract of 25/65ths of the  
 26 cost, which was then divided into two parts as between two

1 participants, which divided the 25 into 12.5 and I will stipu-  
2 late this is the first time that I have ever seen a fraction  
3 of this type. Actually, this is the way it has been provided  
4 in contracts with the City of Long Beach.

5 GOV. ANDERSON: Will you briefly explain what they  
6 have in substance there?

7 MR. HORTIG: Yes sir. Referring to page 13, the  
8 Harbor Department has a continuing project for subsidence  
9 studies, engineering review, elevation surveys -- the acquisi-  
10 tion of the technical data on a continuing annual basis for  
11 control and planning of subsidence remedial projects; and  
12 this, in their accounting system, they consider as a "force"  
13 or as a project which is carried on by their own employees  
14 and the time charged to this project is accounted to the  
15 particular project; and the Office of the Attorney General  
16 has heretofore ruled that that portion of the funds expended  
17 for this project which relates to subsidence elements and the  
18 alleviation thereof may properly be involved in expenditure  
19 of tideland funds to defray the costs; (Mr. Carr returned)

20 GOV. ANDERSON: And the study alone for a year  
21 would cost a quarter million dollars?

22 MR. HORTIG: Yes sir.

23 GOV. ANDERSON: How long does this type of study go  
24 on? In other words, what are we talking about?

25 MR. CRANSTON: May I interrupt? Glenn, will you  
26 take over? I have to leave. (Mr. Cranston left meeting)

1 and Governor Anderson took over as Chairman)

2 MR. HORTIG: Governor, this has been a continuing  
3 project of necessity on the part of the Harbor Department and  
4 has been charged to tideland oil funds ever since the Legis-  
5 lature by Chapter 29 of Statutes of 1956 .....

6 GOV. ANDERSON: Has it been costing a quarter million  
7 a year dollars generally?

8 MR. HORTIG: Roughly.

9 GOV. ANDERSON: How long has this been going on?

10 MR. HORTIG: The project has been going on ever since  
11 the City of Long Beach recognized they had a subsidence problem.

12 GOV. ANDERSON: I am talking about the costs.

13 MR. HORTIG: These annual costs have been approved  
14 by the Lands Commission and the project has been conducted and  
15 the funds expended since July 1956.

16 GOV. ANDERSON: We are talking about, roughly, the  
17 sixth year now?

18 MR. HORTIG: That's correct.

19 GOV. ANDERSON: And we have been spending roughly a  
20 quarter million a year for the purpose of the study of the  
21 success in the future? I am not questioning the amount -- I  
22 want to find out how much we are actually spending for just  
23 a study to know we are doing a good job or not.

24 MR. HORTIG: And it is also the preliminary data  
25 for planning toward remedial operations. As you will note on  
26 page 14, we have a total of \$168,000 rather than the quarter

1 million rounded number which you happened to select, Governor;  
2 and the point, of course, is that also -- even though it is  
3 determined after the work is completed that it was one hundred  
4 per cent related to subsidence -- only twenty-five per cent  
5 of this cost is allocable to the State's share of the tideland  
6 funds until such time as an accumulated expenditure of thirty  
7 million dollars shall be accrued; and current estimates are  
8 that this thirty million dollars will probably never be  
9 reached. If it were reached, then thereafter the State's  
10 participation would be fifty per cent of the cost.

11 So, actually, what is being talked about here is,  
12 insofar as the State's share of tideland funds allotted by  
13 the Legislature, is twenty-five per cent of \$168,000 for the  
14 next fiscal year.

15 MR. LINGLE: If I might .....

16 GOV. ANDERSON: Then why did you figure \$251,000?

17 MR. LINGLE: We have two pages, Frank -- one is  
18 14 and the other 15.

19 MR. ROSE: You are looking at ....

20 MR. LINGLE ... 15, Frank, and Governor Anderson  
21 is looking at 15.

22 GOV. ANDERSON: I have them both -- one is for  
23 \$251,000.

24 MR. HORTIG: One is for actual emergency maintenance  
25 operations and the next one is for the subsidence studies,  
26 and you are correct -- the \$251,000 is for the estimated cost

1 of the subsidence studies which are detailed on page 15, and  
2 which have been on a continuing annual basis to provide the  
3 basic engineering necessary to know what is actually going on  
4 in connection with subsidence, to provide the basis for planning  
5 subsidence remedial works, and to determine whether there is  
6 actually an advantageous accomplishment in subsidence allevia-  
7 tion as a result of the repressurization program which is  
8 being carried on extensively.

9 MR. LINGLE: I am Harold Lingle, Deputy City Attorney.  
10 For instance, on the breakdown on page 15, Governor, item 1  
11 is actual people out making surveys in the field; subsidence  
12 section is the cost of maintenance or part of the cost of  
13 keeping track of where all these accounts are; preliminary  
14 engineering studies is a study of the various projects that  
15 they are building, that we will be building there and of the  
16 subsidence aspects of the projects; State Lands expense,  
17 Chapter 29, is information which your staff in the Long Beach  
18 area -- when they want to know something about what we are  
19 building down there and what we are doing, this is the expense,  
20 estimated expense, of bringing them up to date.

21 MR. ROSE: Which item is that?

22 MR. LINGLE: Item 6 on page 15. We have got several  
23 million dollars' worth of engineering that they check out.

24 MR. ROSE: Information requested and needed by the  
25 staff of the Lands Commission is costing \$50,000 a year?  
26 You are spending that for that purpose?

1 MR. LINGLE: That's right. That's what the \$2,000  
2 is on the first page. It's just additional money we need for  
3 the balance of this year, so that we can furnish information  
4 to the staff, so that they can be brought up to date on what  
5 we are doing.

6 GOV. ANDERSON: I am just asking a couple questions  
7 so I am clear on it. Item 1, this field work of the survey  
8 crews, they go out and check the measurements both vertical  
9 and horizontal, and that's the first items -- twenty-nine and  
10 twenty thousand dollars?

11 MR. LINGLE: Right.

12 GOV. ANDERSON: Who does the horizontal studies?  
13 Is this again a group of studies made, of information brought  
14 in by the survey crews in the field?

15 MR. LINGLE: I am sorry, I don't know, Governor. I  
16 am a lawyer. I know some of them, but I don't know that.

17 GOV. ANDERSON: Maybe Frank does.

18 MR. HORTIG: The same field crew, the same office  
19 force.

20 GOV. ANDERSON: The same force that goes out and  
21 makes the field study, the vertical and horizontal studies,  
22 the first one \$29,000 -- they are the same ones that go out  
23 and make the horizontal study but they make a bookkeeping entry..

24 MR. HORTIG: Not exactly. The measurements of the  
25 ground, vertical and horizontal, are measurements made by the  
26 field crew that makes the measurements under the items listed

1 of \$29,000 and \$21,000 a year. These results are then ana-  
2 lyzed in the engineering section of the Harbor Department and  
3 classified as horizontal studies, in that these have to be  
4 analyzed and classified and engineered into phases of the con-  
5 struction program to make sure that the horizontal movements  
6 which are predicted from these studies will not excessively  
7 damage any new work going on. This is the study to predict  
8 any horizontal .....

9 GOV. ANDERSON: Item 2 is handled by the engineering  
10 department in the Harbor Department?

11 MR. HORTIG: That's correct.

12 GOV. ANDERSON: All information brought in to them  
13 by the field crew, checking the vertical and horizontal  
14 measurements?

15 MR. HORTIG: That's right.

16 GOV. ANDERSON: What is the subsidence section, then  
17 the next \$55,000?

18 MR. LINGLE: I think, Governor, this is the charge-  
19 off to bookkeeping, of keeping track where all this money goes  
20 and how much of it; where your various allocations and appro-  
21 priations come from and how much of it should be allocated to  
22 subsidence.

23 GOV. ANDERSON: In other words, \$55,000 is pretty  
24 much the bookkeeping of the operation for the year, is that it?

25 MR. HORTIG: I believe there is an additional sub-  
26 stantial element that Mr. Lingle did not comment on, Governor,

1 and that is the study by the subsidence section of the inter-  
 2 relation and effect of the water repressurization program  
 3 which is being conducted by the petroleum section -- the actual  
 4 effectiveness of that program in connection with subsidence  
 5 alleviation. Petroleum production and subsidence alleviation  
 6 are different.

7 GOV. ANDERSON: Wouldn't that be horizontal studies?

8 MR. HORTIG: No, the horizontal studies are only for  
 9 design of the buildings in the future, so they won't be  
 10 affected adversely in the future by movements that will take  
 11 place.

12 GOV. ANDERSON: Why wouldn't that come under engi-  
 13 neering studies under item 5?

14 MR. HORTIG: That is preliminary engineering. This,  
 15 again, is for the over-all harbor facilities study and the  
 16 total program for harbor development that the Harbor Department  
 17 expects to encounter. The problem is that for study the  
 18 sum total it is estimated it will require is \$251,000. The  
 19 subdivisions which you have before you, items 1 to 6, are sub-  
 20 divisions which have been developed for accounting and cost  
 21 control convenience. They are not necessarily completely  
 22 diagnostic titles of the sum total of the type of work being  
 23 done under each of these headings.

24 GOV. ANDERSON: Are we doing things here other than  
 25 subsidence studies?

26 MR. HORTIG: No sir. If they were, Governor, then

1 at the end of our audit at the end of the fiscal year, if our  
2 auditors discover that anything was done here that wasn't  
3 subsidence control, then this is eliminated from the credit  
4 which is allowed to the City of Long Beach -- because these  
5 costs are still only estimated costs.

6 GOV. ANDERSON: And then our \$50,000 that we are  
7 supposed to spend, what will ours be used for, the State Lands  
8 portion?

9 MR. LINGLE: You do not spend it, Governor. This  
10 is the money we spend in furnishing information to your staff.  
11 In other words, they will want a different analysis on some  
12 project, another set of plans on some project.

13 GOV. ANDERSON: In other words, these sheets that we  
14 get every week and some of the information you are furnishing  
15 to us, it is estimated this will be a bookkeeping entry of  
16 \$50,000?

17 MR. LINGLE: That is correct.

18 MR. HORTIG: In other words, the City views this  
19 from the standpoint that this is a cost that they wouldn't be  
20 put to if the State did not have supervising responsibility  
21 over the area and did not have to ask these questions.

22 MR. LINGLE: Under Chapter 29, if we don't have  
23 prior approval we can't spend any of this money.

24 MR. CARR: That's right. Unless they have prior  
25 approval under the contract they can't do it at all. We have  
26 the right to audit and review afterwards and we can correct

1 it if we discover any misapplication of these funds.

2 GOV. ANDERSON: Well, I was just asking questions.

3 MR. HORTIG: As a matter of fact, it is not a mis-  
4 application of funds, Mr. Carr. I would like the record to  
5 show that it is misclassification.

6 MR. CARR: I'll accept that.

7 MR. HORTIG: Thank you.

8 GOV. ANDERSON: You are satisfied this is a good  
9 expenditure of \$251,000? You would expend it for this if it  
10 was your money?

11 MR. CARR: Sure.

12 GOV. ANDERSON: I'll second the motion if you will  
13 make it.

14 MR. CARR: I so move.

15 GOV. ANDERSON: Now we proceed on to Item Classifi-  
16 cation 4 -- Sale of vacant State school lands. All land sale  
17 items here presented have been reviewed by all State agencies  
18 having a land acquisition program and, unless otherwise indi-  
19 cated, no interest has been reported by these agencies in the  
20 lands proposed for sale.

21 MR. HORTIG: There is no "otherwise" report.

22 GOV. ANDERSON: And the first applicant is (a)  
23 Perry A. Langer, \$1570; item (b) Donald K. Lee and the bid is  
24 \$2,320. Now, you asked me a question on that earlier, Don?

25 MR. ROSE: This gentleman called our office....

26 GOV. ANDERSON: Mr. Lee?

1 MR. ROSE: Yes, Mr. Lee. He tried to reach Mr.  
2 Cranston, he was out; and Governor Anderson was also out; and  
3 he raised the point where he was pretty distressed about the  
4 length of time it took to get a decision, considering he had  
5 a substantial amount of money tied up, \$2,320. It was checked  
6 by our office with Mr. Hortig and we found that it was coming  
7 up at this time on the calendar.

8 The only question is a general one. I know we have  
9 a large backlog of applications just as this, and I wonder if  
10 there is anything that's delaying these coming before the Com-  
11 mission, any different than it was in past months. I know  
12 various studies have been made ....

13 GOV. ANDERSON: How long was his money held?

14 MR. HORTIG: We will have the date of the application..  
15 If I may reply to that in general, I think this is a problem  
16 that is wholly solved now. Mr. Langer, along with the other  
17 four applicants who are listed here, or Mr. Lee ....

18 MR. ROSE: Yes, Lee.

19 MR. HORTIG: .... were delayed by reason of the mora-  
20 torium for rereview declared by the Commission in January,  
21 suspending the processing of any pending applications at that  
22 time.

23 GOV. ANDERSON: He was one who put in his application  
24 and his money at that time?

25 MR. HORTIG: Previously.

26 GOV. ANDERSON: Did he have a chance to withdraw his

1 money and drop the claim?

2 MR. HORTIG: Any time, yes.

3 GOV. ANDERSON: So he decided to keep it in there  
4 pending what the decision of the Commission was?

5 MR. HORTIG: The staff were instructed to withhold  
6 processing between January and the last meeting, May 4th. At  
7 the last meeting, May 4th, you gentlemen rescinded the stop  
8 order on processing. This is the next meeting after that and  
9 as a matter of fact, but for the stop order in January all of  
10 these items would have been on the January agenda for the  
11 State Lands Commission.

12 MR. SMITH: I might say that all these items on the  
13 Commission's agenda were pending at the time this order went  
14 into effect.

15 GOV. ANDERSON: Item (c) Phillip R. Monson, \$9,600 bid.;  
16 (d) R. R. Templeton, \$5,080 bid..

17 MR. CARR: I move the approval of these.

18 GOV. ANDERSON: I'll second it and this carries it  
19 unanimously.

20 Item number 5 -- authorization for issuance to A. C.  
21 Jefferiss and Florence J. Jefferies of a grant deed for the  
22 mineral reservations on lands conveyed by the State Controller  
23 on December 18, 1946, Solano County. would you briefly tell  
24 us what that is?

25 MR. HORTIG: Yes sir. This results from the situa-  
26 tion of amendment of statutes relating to the Controller's

1 office. Prior to 1949 in the sale of escheated lands by the  
 2 office of the Controller, the statutes required that all  
 3 mineral interests in lands that were so sold be reserved to  
 4 the State and, consequently, all sales that were made prior  
 5 to 1949 were so made, with the mineral reservation to the  
 6 State.

7 Under Chapter 1212 of the Statutes of 1949, the  
 8 State Lands Commission was authorized to dispose of reserved  
 9 mineral rights in escheated lands previously made if an appli-  
 10 cation was received and a prior purchaser desired to acquire  
 11 this mineral reservation. The Commission has established a  
 12 policy for disposition of such reserved mineral rights for a  
 13 flat fee of \$10, in addition to the application fee, in those  
 14 instances where the lands are not known to contain commercially  
 15 valuable deposits of minerals -- as in the instant application.

16 The land consists of three lots zoned as Single  
 17 Family Residential District in the City of Benicia. There  
 18 are no geologic evidences for any reasonable expectation of  
 19 development of minerals in any of these three lots and it is,  
 20 therefore, recommended that the Commission authorize the grant  
 21 deed for the mineral reservation which had been previously  
 22 made by the Controller.

23 Incidentally, contemporaneously with this, the  
 24 statute was also changed no longer requiring the Controller  
 25 to make such mineral reservations, so land sold by the Con-  
 26 troller since that time has been sold complete with the

1 mineral interest; and this is a statute which provides a  
2 possibility for putting prior sales on the same uniform basis  
3 as sales which would be made by the Controller's office.

4 GOV. ANDERSON: I'll second the motion if you will  
5 make it.

6 MR. CARR: I move.

7 GOV. ANDERSON: Moved and seconded, unanimously  
8 approved.

9 Item 6 -- Rejection of only bid received, submitted  
10 by E. T. Baxman, on mineral extraction lease for sand and  
11 gravel on 9.45 acres tide and submerged lands in bed of the  
12 Noyo River, Mendocino County. Bid deviated from requirements  
13 of the Commission's proposal.

14 MR. HORTIG: The subject area was advertised for  
15 bids for sand and gravel extraction lease on authorization of  
16 the Lands Commission. The only bid received submitted a bid  
17 not in the standard form and which was submitted to the Office  
18 of the Attorney General for determination as to compliance  
19 with the bid offer and with the statutes; and the Office of  
20 the Attorney General has recommended that no precedent should  
21 be set by accepting and modifying this bid; but rather that  
22 the particular bid be rejected by the Commission and if there  
23 is a desire for lease of the area, re-advertising. The ini-  
24 tiation of the advertising and receipt of bids can all be  
25 conducted under executive authority of the Executive Officer,  
26 but a bid rejection or acceptance requires a specific resolution

1 of the Commission.

2 MR. CARR: Mr. Chairman, this particular point on  
3 the Noyo -- I am not familiar with this point in the river,  
4 but down below where the breakway is and the fishing boats  
5 anchor or not, this is a very interesting spot. Have you ever  
6 been there?

7 GOV. ANDERSON: No.

8 MR. CARR: Actually, this deposition of this sand  
9 and material here at this point, this is about the head of the  
10 tidewater there, isn't it? Isn't that where the stream coming  
11 down slows down and traps the material it was carrying?

12 MR. HORTIG: That is primarily the reason there is  
13 extensive deposit of sand and gravel.

14 MR. CARR: What effect would this have, this dredging  
15 out, what effect would that have on the flood control and the  
16 fishing and all that?

17 MR. HORTIG: The permit for dredging on a navigable  
18 stream as it would affect flood control would be issued by the  
19 Corps of Engineers, so there would be no detrimental effect on  
20 flood control. The prospective lease was cleared with Fish and  
21 Game that this would not be inimical to our finny friends who  
22 happen to reside in the area.

23 MR. CARR: How about their love life? Isn't it in  
24 the gravel bed where they lay their eggs?

25 MR. HORTIG: Not this far down in the river -- for  
26 reasons unknown to me.

1 MR. CARR: Do you want to refer that to the  
2 Attorney General?

3 MR. HORTIG: We did.

4 MR. CARR: If there is a reason he should be able  
5 to dig it up.

6 GOV. ANDERSON: I'll second the motion if you want  
7 to make it.

8 MR. CARR: I move it.

9 GOV. ANDERSON: Item 6 is moved and seconded.

10 MR. ROSE: May I ask a quick question? Referring  
11 to the previous item, where the State collected a total fee  
12 of \$10 -- it's \$15 richer, but it gives away its mineral  
13 rights. Even though it is disposed of in five minutes --  
14 the photostating, and staff time, and Commission's time is  
15 probably worth many times that. Is there any way of stream-  
16 lining this, so it doesn't cost so much to give away what  
17 the State owned?

18 MR. CARR: I wouldn't think so because there are no  
19 unimportant dollars. It would cost us more to count them.

20 MR. ROSE: I didn't know if it came up very often.

21 MR. HORTIG: Not very often.

22 MR. ROSE: In view of the fact the Controller now  
23 automatically gives away these rights, now we are going back  
24 and giving away rights that we didn't use to give away.

25 MR. HORTIG: Our problem, and I would like to bring  
26 it to the attention of the Commission, of course is to strike

1 a happy medium in terms of fully informing the Commission in  
2 order to have all items before them that they properly need  
3 for their consideration, and not writing a book on the subject  
4 and overdoing it on the other side.

5 I agree with you very definitely and we have been  
6 very acutely conscious of the necessity of minimizing costs  
7 as against revenues to the State, particularly with my other  
8 hat on, as Executive Officer of the Division of Lands in the  
9 Department of Finance, the Director has made several impres-  
10 sions which I think are probably in my skull in that direction.

11 GOV. ANDERSON: The information you are giving to  
12 the Commissioners shouldn't cost very much over what you are  
13 already making. You are making three additional copies.

14 MR. HORTIG: That's right.

15 GOV. ANDERSON: Item 8 -- Confirmation of trans-  
16 actions consummated by the Executive Officer, pursuant to  
17 authority confirmed by the Commission at its meeting on  
18 October 5, 1959.

19 MR. CARR: So move.

20 GOV. ANDERSON: Second. Approved unanimously.

21 Item 9 -- Report on status of legislation, 1961  
22 session. Informative only, no Commission action required.

23 MR. HORTIG:  
24 May I, however, amend the report, Mr. Chairman,  
25 because as recited in the first paragraph the bills which had  
26 been introduced for purposes of clarifying sections of the  
Public Resources Code, and which were introduced pursuant to

1 resolution of the State Lands Commission approving this  
2 introduction, reported on the calendar item "awaiting signa-  
3 ture by the Governor," I am happy to be able to report to the  
4 Commission that all these bills, and therefore the Commission's  
5 entire legislative program, have been signed by the Governor  
6 and will be the statutes.

7           Additionally, you gentlemen will recall that on  
8 May 4th there was a resolution supporting House Resolution  
9 4390, which would straighten out offshore boundaries of all  
10 coastal states by act of Congress to conform with the same  
11 type of boundary distance as approved by the Supreme Court  
12 for Florida and Texas heretofore. The resolution suggested  
13 that there should be a legislative resolution in the Cali-  
14 fornia Legislature also and such resolution was introduced by  
15 Senator McBride as S.J.R. 44, copy of which is attached to  
16 your calendars.

17           GOV. ANDERSON: Item 10 -- Report on status of major  
18 litigation.

19           MR. HORTIG: There are no additional reports beyond  
20 the written.

21           MR. CARR: I'd like to ask just one question. What  
22 is the present status of the application of the City of Long  
23 Beach for approval to go ahead and build some of that stuff  
24 out there by the auditorium, whatever it is?

25           MR. HORTIG: That is under consideration with the  
26 Office of the Attorney General.

1 MR. CARR: What is the Attorney General's decision  
2 on it? Has there been anything worked out on it yet?

3 MR. HORTIG: The particular Attorney General doesn't  
4 seem to be with us at the moment.

5 MR. CARR: I was asked about that and I couldn't  
6 report. It seemed to me that came back when I was in Mexico.

7 MR. JOSEPH: Mr. Shavelson had to get a plane by  
8 twelve thirty and just left. He has some Long Beach litigation  
9 and had to get back -- a demurrer or something, so he  
10 is working for the State on something in connection with  
11 Long Beach.

12 MR. HORTIG: I think, Mr. Carr, in general summary  
13 there was a period of time when, in order to proceed with the  
14 study, the Office of the Attorney General had requested for  
15 submittal of additional data from the City of Long Beach, so  
16 this accounted for additional time; and the issue is now under  
17 study by the Office of the Attorney General as to qualifying  
18 and as to conditions under which the Commission may consider  
19 approval.

20 MR. CARR: Thank you.

21 GOV. ANDERSON: Date, time and place of next meeting --  
22 Thursday June 22, 1961 at 10:00 a.m. in Los Angeles?

23 MR. CARR: Yes.

24 GOV. ANDERSON: Moved and seconded, carried  
25 unanimately.

26 MR. HORTIG: Mr. Chairman, before we adjourn, there

1 is an item on page 32 of the supplemental calendar not  
 2 previously considered, in which we are reporting -- as I  
 3 reported to you earlier -- in connection with the pipe line  
 4 across unleased parcels of State lands to convey the produc-  
 5 tion of a well which is being drilled. In this instance we  
 6 are reporting on the same well, but the fact that it is the  
 7 intent of the lessee, having had engineering review and approval  
 8 by the staff, if the well is successful to install an ocean  
 9 floor production head on the well of the same general type as  
 10 is operating successfully on a Commission lease at Rincon.

11 The unique feature in this instance is that instead  
 12 of 56 feet of water, this well head would be installed in 220  
 13 feet of water when successful, indicating progress in the  
 14 development of this type of technology. While this has been  
 15 approved by staff and in the normal procedure this is all that  
 16 is required, since the Commission did on its own motion at  
 17 the time of the report of the Rincon installation by resolu-  
 18 tion approve that installation, the lessee now has suggested  
 19 that to keep the record uniform it might be desirable to have  
 20 a Commission resolution approving this installation on recom-  
 21 mendation of the staff.

22 MR. CARR: I so move.

23 GOV. ANDERSON: I'll second. Now, this map we have  
 24 here, showing where the protected pipe line goes out to, what  
 25 is the depth of that?

26 MR. HORTIG: Well, it will be on the ocean floor

1 and by the time it gets to the production head it is 220 feet  
2 down.

3 GOV. ANDERSON: This well we are talking about  
4 putting the production head on is 220 feet below the surface  
5 of the water?

6 MR. HORTIG: That is correct.

7 GOV. ANDERSON: If there is nothing further, the  
8 meeting is adjourned.

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10 ADJOURNED 12:03 P.M.

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I, LOUISE H. LILICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing ~~sixty-three~~ pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of THE STATE LANDS COMMISSION at Sacramento, California, on May 25, 1961.

Dated: Sacramento, California, May 29, 1961.

*Louise H. Lillo*  
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