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. Lillie
Division of Administrative Procedure
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MR. CRANSTON: Will the meeting please come to order? Lieutenant Governor Anderson will be with us shortly and we should start at this time.

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

MR. HORTIG: Mr. Chairman, the Commissioners will recall the adoption on May 4, 1961 of emergency rules and regulations relating particularly to the drilling of exploration core holes under State Lands Commission permit, and that those rules as adopted provided in part that nothing therein contained shall preclude the Lands Commission itself in its discretion and upon application duly made from authorizing drilling operations subject to the same terms and conditions as those which applied to a prior permittee at the same location; and it was also provided that there is no authorization to any member, officer or employee of the Commission, nor any person performing any function of work assigned to him by the Commission to disclose any information made confidential by law -- which are the exploration results achieved by any permittee in the drilling of a core hole.

Applications have been received from Standard Oil Company of California, Western Operations, Inc.; Pauley Petroleum Inc., and Gulf Oil Corporation of California for authorization to drill submarine core holes the same depth and
at the same location as core hole 7D50 drilled by Texaco under State permit in April 1960. The specific core hole was drilled at a surface location which is identified by the California coordinates given in the calendar item; and in view of the problem on disclosing the depth which was reached without contravening the prohibition against such disclosure both in the statute and the rules and regulations, Texaco Inc. has consented in writing to the release by the Commission of the total depth reached in this core hole 7D50 in connection with issuance of any permits for authorization of additional holes at the same location.

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

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

* Lieutenant Governor Anderson arrived at this point.
drilled by Texaco. The core holes are to be permitted to be drilled under these special permits to a total depth not in excess of 4905 feet below the top of the Kelly bushing at an elevation twenty-seven feet above sea level, or whatever adjustments are necessary to compensate for changes in datum plane, these measurements being those that were applicable to the Texaco core hole 7D50; the drilling to be subject to the same terms and conditions which applied to Permittee Texaco in the drilling of core hole 7D50.

Representatives of the applicants for these permits are all here today in the event the Commission has any further questions with respect to the propriety or necessity for issuance of the core hole permits as recommended.

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

GOV. ANDERSON: Second.

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

GOV. ANDERSON: Have we ever allowed this before?

MR. HORTIG: No sir.

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

MR. HORTIG: That is correct, sir; but, conversely, the Commission has never denied this authority, either. The
are the first applications ever received by the Commission to perform such an operation; and, also, this is now provided for specifically in the discretion of the Commission in the rules and regulations adopted on May 4th.

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

MR. HORTIG: No sir.

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

MR. HORTIG: No.

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

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

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

MR. CRANSTON: Any further questions?

GOV. ANDERSON: If Texaco hadn't written this, would we be doing something different today?
MR. HORTIG: Not necessarily, sir. We had not reached a conclusion and the Attorney General's office had under study similar methods under which these permits might be authorized to the specified depth without revealing confidential data, assuming that the depth reached in core hole 7D50 was of a confidential nature. In this instance, we have no concern over this because we have the consent from Texaco; and I hear Deputy Shavelson behind me and I am sure we can give you further details on the legal concepts involved.

MR. SHAVELSON: We had formerly advised the staff that we didn't feel that the contents of the core drilling permit given to the prior applicant was confidential under 6826, which makes the results, the records from the drilling operation, confidential -- but doesn't make the permit that they were given confidential; and that is why we recommended the specific language that is contained in the regulations that the subsequent applicant be allowed to drill under the same terms and conditions as those under which the prior applicant had drilled. Under those circumstances it would seem just about inevitable that he would get exactly the same results -- in other words, he would be allowed to go to a particular depth unless prior to that depth there were significant shows of oil and gas or whatever the terms of the earlier permit were; and if a subsequent permittee would be allowed to do the same thing, he would be allowed to go to the same depth as had the earlier one. Therefore, without disclosing what had
happened, we felt that under those circumstances the subsequent permittee would achieve the same results as the earlier one--without violating the law.

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

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

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

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

GOV. ANDERSON: In other words, we would let him, in the first instance, go to only 5,400 feet. Now, we let the other company come in and tell them to go to 6,000 but we would stop them at 5,400 without telling them we are going to stop them.
MR. SHAVELSON: Exactly -- because telling them to stop there would be revealing confidential results, and we couldn't do that.

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

Moving backwards to Supplemental Item 23 -- Frank?

MR. HORTIG: -- which appears on your calendar page 31. On April 25, 1961 counsel for Richfield Oil Corporation wrote to the State Lands Commission -- and this is in summary, without reference to specific data, but summary of the confidential attachment to the Commissioners' copies of the calendar. The representations by Richfield's counsel were:

(1) challenging the validity of the action of the Commission's staff on April 14, 1961 suspending drilling on core hole Gaviota 5 on lease parcel 4 in Santa Barbara County, at a location approximately 1500 feet westerly of Texaco core hole 7D50 -- which is, for the information of the Commission, the same core hole for which permits have been granted for triple duplication; and, secondly, the right was requested to complete the drilling of core hole Gaviota 5 by Richfield to the same stratigraphic depth as Texaco core hole number 7D50. This means to the same physical depth as the layers or the stratigraphy or geography which were purportedly encountered in core hole 7D50.

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

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

As to the request for approval of further drilling,
the staff has reviewed its files, including material and data
made confidential by law. The staff has determined that Rich-
field core hole Gaviota number 5 is not at the same location
as Texaco core hole number 7D50, as is obvious from the fact
it is located 1500 feet westerly, and based on the factors
set forth in the now existent rules and regulations of the
Commission and the difference in location between the Richfield
core hole and the Texaco core hole 7D50 and the Commission's
knowledge of the location of the substrata which are the subject
of Richfield's request for permission to drill deeper, the
staff recommends denial of said request without prejudice,
however, to granting approval to Richfield, upon proper application, to drill to the same depth and at the same location as Texaco core hole 7D50 if Richfield so desires -- and which would mean that there would be a fourth duplication, under those circumstances, of the Texaco core hole for which the Commission has already authorized three permits this morning.

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

MR. CRANSTON: Does anyone wish to make any comments?

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

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

MR. HEGGENESS: Yes sir.

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

MR. HEGGENESS: That's right. We do not wish to release the information. Therefore, were I to elucidate upon the request and argue it, I would be disclosing information
for which Richfield and its associates paid a lot of money.

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

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

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

MR. HORTIG: In response to Mr. Carr's question, there is not only a geologic answer to the situation but also one in the regulations -- that the authorizations now in the regulations for the Commission to consider granting permits for drilling to a deeper depth previously reached by another operator relate to the same location, where such deeper depth was previously encountered, as provided by Section 2100(f)(1) of the Commission's rules and regulations which became effective...
May 4, 1961, and possibly a short form answer -- and here
I have to draw analogies because I am under even more of a
hazard than Mr. Heggeness in discussing the specifics of the
situation, because the statute provides that automatically
I could be guilty of a misdemeanor and it doesn't cover him.
Mr. Heggeness, if he makes such a revelation -- he would
simply be in the doghouse with his principals. The situation...

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

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

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

MR. HEGGENESS: In answer to what Mr. Hortig said,
again it is a question of degree rather than principle, it
seems to me. If you are going to adopt the policies I am
sure you have in your regulations and you have by acting on
Item 23, of equal treatment for all explorers, it seems to
me whether the core hole is drilled in the identical location
or not that each explorer should be able to go to the same
stratigraphic depth as the previous one.

MR. CRANSTON: I think the final paragraph of this
letter can be read without divulging any information.
"Richfield requests that it be permitted to complete Core
Hole Gaviota Number 5 to the same stratigraphic depth as
Texaco Core Hole No. 7D50 and that bidding be deferred on
parcel 4 until all other parties be given the same opportunity
to obtain the same information as Texaco" -- and I think under
the action we have taken all parties will be given the same
opportunity.

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

MR. HORTIG: Mr. Chairman, I think it would have to
be almost self-evident that the only way, as pleaded for in
the letter you just quoted, that Richfield and all other
interested parties be given an opportunity to obtain the same
information as Texaco would necessitate that such parties be
given the opportunity to drill at the same location to the
same depth and perform the same tests. Drilling 1500 feet away, in view of our complex California geology, would require interpretation and interpolation as to results and the probable immediate case, then, that there is a difference of opinion on that interpretation as between the State Lands Commission geologists and possibly those of Richfield; and yet under the law we cannot explain to Richfield what they accomplished and what they didn't accomplish because we are prohibited from doing so.

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

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

MR. CRANSTON: Do you have anything further?

MR. HEGGENESS: No.

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

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

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

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

GOV. ANDERSON: I think it is.

MR. SHAVELSON: Texaco has released the absolute
depth.

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

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

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

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

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

MR. HEGGENESS: In answer to the Governor's question,
we don't claim we want to go to the same vertical depth --
the same stratigraphic depth.
MR. HORTIG: If I may compound the confusion for the Commission, the circumstance could arise where a permittee, even at a location where Richfield drilled, had reached the same stratigraphic depth -- which would be of tremendous significance to them to know. Thus, while the Commission's staff could not tell the permittee this, despite the fact that the permittee was claiming that they should be permitted to reach the same stratigraphic depth, they had already encountered it in fact. The ramifications and complications due to this are endless. It has to be a matter of judgment. It is submitted that the judgment of necessity must be made by the technical staff of the Commission, who are the administrative body who are administering these State-owned lands; and the only question I feel that should be raised in propriety is whether or not these judgments are being exercised uniformly with impartiality and, particularly, uniformity as to all permittees; and I believe as a result of the last reports that the Commission considered on May 4th, the heart of the Commission's conclusions to proceed with prior lease offers was predicated on the fact that there had been conformity with the Commission's policy, and which are now rules and regulations.

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

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

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

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

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

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

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

Motion is in order.

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

GOV. ANDERSON: I'd like to ask Mr. Hortig a few
questions if I could and let the motion stand before I second it. This is a confidential letter and I don't intend to ask any questions that are divulging anything, but there are some things I am a little concerned about. I am checking this spot at the bottom of page 1, where it says that Richfield contended that the conditions of the permit had not been violated and any significant showing of oil and gas or potential oil and gas has not been encountered. Is this divulging confidential information to ask you if this statement of theirs is true or not?

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

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

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

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

GOV. ANDERSON: We are being asked to make some
discussions on some things that are pretty close here?

MR. SHAVERSON: Yes.

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

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

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

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

When the Richfield oral request was received, as noted in the letter of protest I immediately called for consultation with the representative of the Office of the Attorney General, in view of the fact the Attorney General was at that
time studying the prior pending objections with respect to the
total core drilling program, on which the Attorney General has
since reported to the Commission and on which the Commission
took action on May 4th. So as not to add any additional con-
fusion to the situation, I wanted to be certain that we had
legal advice on what should be done with such a situation.

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

MR. HORTIG: Right. The recommendation of the Office
of the Attorney General -- and we don't have our file notes
here, I know, but the situation is very clear in my memory --
the recommendation was that in view of the fact that the
staff interpretation of the applicability of the permit terms
and conditions and the necessity for ordering the shutdown
was completely to shut down in the justification of the technical
staff, that a request for a modification of the permit, which
had been accepted in writing previously by the permittee,
should not be undertaken orally without documentation, first,
to assure that everyone was talking about the same thing at
the same location; and these oral requests, I might add,
involved one, two, three -- well, two representatives of Rich-
field and one attorney for Richfield at approximately fifteen-
minute intervals, plus discussions by staff with the geologists
and an expression of difference of opinion as to just what
geologic strata had been reached or what the accomplishments
on reaching the particular depth signified.
Upon recommendation of the Office of the Attorney General, then, it was suggested -- to assure that no erroneous hasty judgments would be formed by the staff of the State Lands Commission -- that the specifics of the further operation proposed by Richfield should be submitted in writing; that, additionally, there was -- and it was pointed out to Richfield at the time -- there was the hazard that should be considered that if, in fact, they had reached a particular stratigraphic depth that was significant in relation to that reached in any other trial holes, while the easiest thing for the staff to do would be to permit them to drill deeper, this could automatically permit Richfield to drill deeper -- to the disadvantage of all other segments of the industry, a condition which Richfield had abhorred and protested to the Commission, which protests were being considered by the Office of the Attorney General, were being studied at that time.

The manager of the oil department of Richfield, Mr. F. McPhillips -- I believe the initial is correct -- told me at approximately 5 p.m. on this particular Friday, April 14th, that the conclusion had been reached (not final, this would be next to the last conclusion), first, that operation would be suspended, and that a written request would be forthcoming that afternoon. This was modified subsequently to state that a request would be forthcoming on the following Monday. This was finally modified to report that Richfield
had decided to plug the hole; that their technical staff felt that while they plugged the hole and moved away with the drilling equipment, if subsequently they received any authorization to drill deeper that they could enter the hole and drill to a deeper depth, even as applied for today to the Commission.

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

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

MR. HORTIG: No sir, because of the necessity of staff re-evaluation and consultation with the Attorney General's office in view of the other pending protests with respect to the core hole drilling procedure; and at a time when the Attorney General's office had not yet completed its conclusions and had not yet reported to the Lands Commission as to what practices the staff should follow; and our prior standard practices having been questioned, it was felt that the practices or their perpetuation needed very careful scrutiny so as not to add any new bases for protest.
GOV. ANDERSON: Is this the first time that they stopped someone that they didn't wish to go further? Have you always made them do it in writing in the past?

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

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

MR. HORTIG: I must assume that.

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

MR. HORTIG: That's right.

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

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

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

MR. HORTIG: No sir.

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

MR. HORTIG: Where they find something.
GOV. ANDERSON: Any time they run into something you are going to stop them; they are going to want to go further -- that's natural.

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

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

MR. HORTIG: I am not clear at the moment as to the actual date of receipt of this protest. However, this specific letter was considered as a portion of the matter considered by the Attorney General and reported to the Commission as a matter of policy and procedure at the meeting of May 4th.

MR. ROSE: This letter?

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

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

MR. ROSE: But not to the Commission.

MR. HORTIG: No sir.

GOV. ANDERSON: I am not too sure it would have changed our action, but at least the contents of the letter should have been made available to us inasmuch as it was addressed to the Commission; and it might or might not have
affected the action at that meeting. That was the concern
here -- that it opened up on my part -- that it wasn't at the
May 4th meeting.

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

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

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

Carbon copies to Chairman Cranston, Member J. E. Carr, and
Member G. M. Anderson; and on that same date the letter had
been forwarded to the Office of the Attorney General and had been included in the considerations which resulted in the recommendation and our references in the confidential report by the Attorney General's Office to the Commission.

As a result of that consideration by the Commission on May 4th, it has been the staff conclusion that with the adoption of the emergency rules and regulations and the discussion which was had before the Commission, including the discussions by Richfield Oil Corporation which were made to the Commission on that date, that this entire problem had been disposed of.

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

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

MR. HORTIG: That's correct.

GOV. ANDERSON: But we did not see the letter itself
actually until it came to us yesterday?

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

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

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

We have not heretofore -- and this has been the first exception -- distributed confidential information to the Commissioners except on their request, simply as a security matter in order to obviate the necessity of keeping track of...
numerous copies of this type of data.

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

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

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

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

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

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

MR. HEGGENESS: Could I make one comment in response to what Mr. Hortig said? That is this: I interpreted Mr. Hortig's remarks as being somewhat in criticism of what Richfield's attitude was on April 14th, Friday afternoon. Remember this -- it costs approximately five or six thousand dollars a day standing out there in the ocean waiting for a decision of the Lands Commission, so had Richfield waited for
a decision of the Commission until Tuesday, it would have incurred an expense of twenty or twenty-five thousand dollars. It was for that reason that Richfield decided to pull off the well and submit the matter for decision by the Commission.

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

MR. HEGGENESS: That's right.

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

I think in equity, it seems to me that the adoption of these new regulations and this policy which is backed up by these new regulations is going to give everybody an equal
chance to information. As we have been able to determine
so far, this really covers this, don't you think so?

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

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

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

MR. CRANSTON: That's the staff recommendation.

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

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

MR. CRANSTON: The "without prejudice" in the motion
would relate to only -- It states "without prejudice to
granting approval to Richfield Oil Corporation upon proper
application to drill to the same depth and at the same location
as Texaco Core Hole No. 7D50." So if you want a more general "without prejudice," it would be without prejudice to any application.

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

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

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

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

GOV. ANDERSON: In your suggestion, how would you suggest the wording would be?
MR. HEGGENESS: "Without prejudice," period.

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

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

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

MR. CRANSTON: Without prejudice to some further application?

MR. SHAVELSON: That's fine.

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

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

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

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

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

MR. HUTCHINS: Mr. Chairman, my name is Hutchins. I'd like to address myself to Calendar Item Number 23, as a result of this discussion on 22 -- because Mr. Kortig referred to a fact that this would grant the fourth go-around on this area, would be the fourth core hole. The reason I mention this is because when Mr. Kortig read the recommendations, he
MR. HORTIG: If I may answer, Mr. Chairman, the intention was to point out that three permits were recommended to be issued pursuant to three individual applications. If, on the other hand, joint operations are desired subsequently on the part of two or three of the permittees operating under one permit, this would be completely proper and feasible and without the necessity for any further Commission action.

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

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

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

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

MR. HUTCHINS: Fine.

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

MR. HORTIG: It would have to be brought under the rules and regulations of the Commission for specific Commission decision at a meeting.
MR. CARR: Let me ask you this: Is there any concern to the Lands Commission what financial arrangements any companies make for the drilling of a core hole?

MR. NORTIG: No sir.

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

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

MR. CARR: Any other names.

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

MR. CARR: Is that clear?

MR. HUTCHINS: In answer to Mr. Carr's question, it was because the word "individually" was placed in there and we wanted to be sure that there was no limitation of granting;
these permits to just individual companies as a result of the application before you.

MR. CRANSTON: This is understood.

MR. HUTCHINS: Thank you.

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

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

In view of the actions the Commission has taken for authorization of the drilling of additional core holes on Parcel 4, it is suggested that the closing date for bids on
Parcel 4 be set approximately ninety days hence, rather than
approximately the more standard closing heretofore of sixty
days after Commission authorization, in order to afford the
opportunity for the permittees to actually complete the core
holes before bids would be submitted.

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

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

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

MR. HORTIG: If this should not be the fact, the
closing date would still be under the control of the Commission.

MR. CRANSTON: Motion is in order.

MR. CARR: I so move.

GOV. ANDERSON: I second.

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

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

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

Glenn, do you want to make a motion?

GOV. ANDERSON: I move.

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

Item 2 — Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies
of the Commission: (a) American Smelting and Refining Company
Construction of a craneway to be located on wharf covered by
Lease P.R.C. 618.1 in Carquinez Strait near Crockett, Contra
Costa County.

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

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

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

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

GOV. ANDERSON: Will you explain that a little?

MR. HORTIG: Yes, Governor. Particularly with
reference to questions which you had raised at the time of the
last grant of extension, at which time considerable debate
was expended on the desirability of a two-year grant of
deferment -- which two years was actually a typographical error, in that one year only was set -- our problem was finally solved on your motion that a six-month deferment be granted, with the statement to the permittee that if additional time actually became necessary in fact or desirable, that this item could again be considered by the State Lands Commission.

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

MR. HORTIG: This is the reconsideration.

GOV. ANDERSON: Where is it?

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

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

MR. HORTIG: Actually, the first ocean floor completion and the only one on the California coast is successfully operating on this lease now. It is a question of selecting
additional locations for such drilling, which it is contem-
plated would be made, or started at least, within this six
months' extension.

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

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

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

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

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

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

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

MR. CRANSTON: Thank you very much. Item (d) Richfield Oil Corporation -- 49-year right-of-way easement for construction, maintenance and operation of a submarine pipeline, 7.5 acres tide and submerged lands, Pacific Ocean near Coal Oil Point, Santa Barbara County; annual rental, $213.05.

MR. HORTIG: As shown on the map of Exhibit B, the second page following calendar page 7, the area identified is P.R.C. 308.1, just at the coast line. The outer limits represent the limits of an existing tide and submerged lands lease issued pursuant to competitive bidding in the 1940's by the State Lands Commission. Production has not yet been developed from this lease. Richfield is currently drilling at the location identified as "Prod. Head" on the seaward end of the parcel, as shown on the map -- the proposed production head. If this well is successful, then it is proposed that the well will be completed on the ocean floor, as will be reported in a later item; and conveying the products of this well to the shore to an existing tank farm would require a proposed submarine pipe line, which would be partially on the leased property and, as you can see, to the west and north partially on heretofore
unleased property of the State of California, being tide and submerged lands; and application has been made for a 49-year right-of-way easement to cover that portion of the pipe line which would be placed on the ocean floor over hitherto unleased tide and submerged lands.

MR. CRANSTON: All right?

GOV. ANDERSON: I think so.

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

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

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

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

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

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

GOV. ANDERSON: Roughly?
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
Cerritos Channel by constructing an underwater crossing --
Expenditure from City's share of tideland oil revenues subse-
quently to May 25, 1961 of not more than $20,000 nor more than
12.5/65ths of cost of construction; subject to condition that
City has no intention of replacing vehicular bridge and that
work must conform to plans heretofore submitted.

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

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

MR. HORTIG: It is whichever is lower. Actually,
the details on pages 16 and 18, I think, clarify this. The
summary does leave that ambiguity and I might explain that
peculiar fraction of 12.5/65ths results from the fact that
there is an allocation within the contract of 25/65ths of the
cost, which was then divided into two parts as between two
participants, which divided the 25 into 12.5 and I will stipulate this is the first time that I have ever seen a function of this type. Actually, this is the way it has been provided in contracts with the City of Long Beach.

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

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

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

MR. HORTIG: Yes sir.

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

MR. CRANSTON: May I interrupt? Glenn, will you take over? I have to leave. (Mr. Cranston left meeting
and Governor Anderson took over as Chairman)

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

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

MR. HORTIG: Roughly.

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

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

GOV. ANDERSON: I am talking about the costs.

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

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

MR. HORTIG: That's correct.

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

MR. HORTIG: And it is also the preliminary data for planning toward remedial operations. As you will note on page 14, we have a total of $168,000 rather than the quarter
million rounded number which you happened to select, Governor; and the point, of course, is that also -- even though it is determined after the work is completed that it was one hundred per cent related to subsidence -- only twenty-five per cent of this cost is allocable to the State's share of the tideland funds until such time as an accumulated expenditure of thirty million dollars shall be accrued; and current estimates are that this thirty million dollars will probably never be reached. If it were reached, then thereafter the State's participation would be fifty per cent of the cost.

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

MR. LINGLE: If I might .....  
GOV. ANDERSON: Then why did you figure $251,000?  
MR. LINGLE: We have two pages, Frank -- one is 14 and the other 15.  
MR. ROSE: You are looking at ....  
MR. LINGLE .... 15, Frank, and Governor Anderson is looking at 15.  
GOV. ANDERSON: I have them both -- one is for $251,000.  
MR. HORTIG: One is for actual emergency maintenance operations and the next one is for the subsidence studies, and you are correct -- the $251,000 is for the estimated cost
of the subsidence studies which are detailed on page 15, and which have been on a continuing annual basis to provide the basic engineering necessary to know what is actually going on in connection with subsidence, to provide the basis for planning subsidence remedial works, and to determine whether there is actually an advantageous accomplishment in subsidence alleviation as a result of the repressurization program which is being carried on extensively.

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

MR. ROSE: Which item is that?

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

MR. ROSE: Information requested and needed by the staff of the Lands Commission is costing $50,000 a year? You are spending that for that purpose?
MR. LINGLE: That's right. That's what the $2,000 is on the first page. It's just additional money we need for the balance of this year, so that we can furnish information to the staff, so that they can be brought up to date on what we are doing.

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

MR. LINGLE: Right.

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

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

GOV. ANDERSON: Maybe Frank does.

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

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

MR. HORTIG: Not exactly. The measurements of the ground, vertical and horizontal, are measurements made by the field crew that makes the measurements under the items listed...
of $29,000 and $21,000 a year. These results are then analyzed in the engineering section of the Harbor Department and classified as horizontal studies, in that these have to be analyzed and classified and engineered into phases of the construction program to make sure that the horizontal movements which are predicted from these studies will not excessively damage any new work going on. This is the study to predict any horizontal ... ...

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

MR. HORTIG: That's correct.

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

MR. HORTIG: That's right.

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

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

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

MR. HORTIG: I believe there is an additional substantial element that Mr. Lingle did not comment on, Governor.
and that is the study by the subsidence section of the inter-
relation and effect of the water repressurization program
which is being conducted by the petroleum section — the actual
effectiveness of that program in connection with subsidence
alleviation. Petroleum production and subsidence alleviation
are different.

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

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

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

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

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

MR. HORTIG: No sir. If they were, Governor, then
at the end of our audit at the end of the fiscal year, if our auditors discover that anything was done here that wasn’t subsidence control, then this is eliminated from the credit which is allowed to the City of Long Beach — because these costs are still only estimated costs.

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

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

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

MR. LINGLE: That is correct.

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

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

MR. CARR: That’s right. Unless they have prior approval under the contract they can’t do it at all. We have the right to audit and review afterwards and we can correct
it if we discover any misapplication of these funds.

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

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

    MR. CARR: I'll accept that.

    MR. HORTIG: Thank you.

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

    MR. CARR: Sure.

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

    MR. CARR: I so move.

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

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

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

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

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

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

GOV. ANDERSON: How long was his money held?

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

MR. ROSE: Yes, Lee.

MR. HORTIG: . . . . were delayed by reason of the moratorium for rereview declared by the Commission in January, suspending the processing of any pending applications at that time.

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

MR. HORTIG: Previously.

GOV. ANDERSON: Did he have a chance to withdraw his
money and drop the claim?

MR. HORTIG: Any time, yes.

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

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

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

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

MR. CARR: I move the approval of these.

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

Item number 5 -- authorization for issuance to A. C. Jefferies and Florence Jefferies of a grant deed for the mineral reservation on lands conveyed by the State Controller on December 15, 1946, Solano County. Would you briefly tell us what that is?

MR. HORTIG: Yes sir. This results from the situation of amendment of statutes relating to the Controller's...
office. Prior to 1949 in the sale of escheated lands by the
 office of the Controller, the statutes required that all
 mineral interests in lands that were so sold be reserved to
 the State and, consequently, all sales that were made prior
 to 1949 were so made, with the mineral reservation to the
 State.

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

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

 Incidentally, contemporaneously with this, the
 statute was also changed no longer requiring the Controller
 to make such mineral reservations, so land sold by the Con-
 troller since that time has been sold complete with the
mineral interest; and this is a statute which provides a possibility for putting prior sales on the same uniform basis as sales which would be made by the Controller's office.

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

MR. CARR: I move.

GOV. ANDERSON: Moved and seconded, unanimously approved.

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

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

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

GOV. ANDERSON: No.

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

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

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

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

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

MR. HORTIG: Not this far down in the river -- for reasons unknown to me.
MR. CARR: Do you want to refer that to the Attorney General?

MR. HORTIG: We did.

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

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

MR. CARR: I move it.

GOV. ANDERSON: Item 6 is moved and seconded.

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

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

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

MR. HORTIG: Not very often.

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

MR. HORTIG: Our problem, and I would like to bring it to the attention of the Commission, of course is to strike
a happy medium in terms of fully informing the Commission in
order to have all items before them that they properly need
for their consideration, and not writing a book on the subject
and overdoing it on the other side.

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

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

MR. HORTIG: That's right.

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

MR. CARR: So move.

GOV. ANDERSON: Second. Approved unanimously.

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

MR. HORTIG:
May I, however, amend the report, Mr. Chairman,
because as recited in the first paragraph the bills which had
been introduced for purposes of clarifying sections of the
Public Resources Code, and which were introduced pursuant to
resolution of the State Lands Commission approving this introduction, reported on the calendar item "awaiting signature by the Governor," I am happy to be able to report to the Commission that all these bills, and therefore the Commission's entire legislative program, have been signed by the Governor and will be the statutes.

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


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

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

MR. HORTIG: That is under consideration with the Office of the Attorney General.
MR. CARR: What is the Attorney General's decision on it? Has there been anything worked out on it yet?

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

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

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

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

MR. CARR: Thank you.

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

MR. CARR: Yes.

GOV. ANDERSON: Moved and seconded, carried unanimously.

MR. HORTIG: Mr. Chairman, before we adjourn, there
is an item on page 32 of the supplemental calendar not previously considered, in which we are reporting — as I reported to you earlier — in connection with the pipe line across unleased parcels of State lands to convey the production of a well which is being drilled. In this instance we are reporting on the same well, but the fact that it is the intent of the lessee, having had engineering review and approval by the staff, if the well is successful to install an ocean floor production head on the well of the same general type as is operating successfully on a Commission lease at Rincon.

The unique feature in this instance is that instead of 56 feet of water, this well head would be installed in 220 feet of water when successful, indicating progress in the development of this type of technology. While this has been approved by staff and in the normal procedure this is all that is required, since the Commission did on its own motion at the time of the report of the Rincon installation by resolution approve that installation, the lessee now has suggested that to keep the record uniform it might be desirable to have a Commission resolution approving this installation on recommendation of the staff.

MR. CARR: I so move.

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

MR. HORTIG: Well, it will be on the ocean floor
and by the time it gets to the production head it is 220 feet down.

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

MR. HORTIG: That is correct.

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

ADJOURNED 12:03 P.M.
CERTIFICATE OF REPORTER

I, LOUISE H. LILLCIO, 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.


[Signature]

LOUISE H. LILLCIO