TRANSCRIPT OF MEETING
of STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA
September 27, 1962

PARTICIPANTS:

THE COMMISSION:

Hon. Alan Cranston, Controller, Chairman
Hon. Glenn M. Anderson, Lieutenant Governor
Hon. Hale Champion, Director of Finance

Mr. F. J. Hortig, Executive Officer

DURING A PORTION OF THE MEETING, THE SENATE INTERIM FACT FINDING COMMITTEE ON NATURAL RESOURCES WAS REPRESENTED BY:

Senator Charles Brown, Chairman
Senator Virgil O'Sullivan
Senator Aaron W. Quick

APPEARANCE BY: Senator Charles Brown
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<td>1. Call to order.</td>
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<td>2. PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:</td>
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<td>(a) State of California, Dept. Water Resources</td>
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<td>(b) State of California, Dept. Water Resources</td>
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<td>(c) Sanitary District No. 1, Marin County</td>
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<td>(d) Univ. of the Pacific</td>
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<td>3. PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:</td>
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<td>(a) Del Monte Properties</td>
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<td>(b) Tidewater Oil Company</td>
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<td>(e) Pacific Gas &amp; Electric</td>
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<td>(h) Wilber C. Sandholdt and Lucille Ferguson</td>
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<td>(i) Teachers Beach Assn.</td>
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<td>(j) George L. Thompson</td>
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<td>(k) Cerutti &amp; Thompson Transp.</td>
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<td>(l) Great Basin Petrol. Co.</td>
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<td>(m) Phillips Petroleum Co.</td>
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<td>(n) Standard Oil Co. of Calif.</td>
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<td>4 CITY OF LONG BEACH</td>
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<td>(a) Pier B, Whs. No. 2 Reloc.</td>
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<td>(b) Approval of and auth. for Ex. Officer to certify approval Supplement to Crude Oil Sale Contract July 16, 1940</td>
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<td>5 LAND ITEMS</td>
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<td>(a) Selection vacant Federal lands on behalf of State:</td>
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<td>(1) 80 ac. San Bernardino Co. (appl. Robt. Glennon Barnes)</td>
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<td>(2) 120.93 ac. San Bern. Co. (appl. Paul P. Cohen)</td>
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<td>6 Proposed Oil and Gas Lease Santa Barbara Co., Parcel 11</td>
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<td>7 Report on Land Management and Sales Program</td>
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<td>8 Confirmation of transactions of Executive Officer:</td>
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<td>Richfield Oil Corp.</td>
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<td>Standard Oil Co.</td>
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<td>Texaco Inc.</td>
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<td>(a) Proposed ocean-floor oil-well completion Oil &amp; Gas Lease P.R.C. 2920.1</td>
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<td>(b) Report on major litig.</td>
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### UNCALENDED:

- Rids on Parcel 8 | 17 |

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OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
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**NEXT MEETING**

**UNCALLED ITEM:**

Bids on Parcel 3. 17
MR. CRANSTON: The meeting will please come to order. I'd like to welcome members of the Senate Interim Fact Finding Committee on Natural Resources, Senator Charles Brown, who is its Chairman, Senator Aaron Quick, and Senator Virgil O'Sullivan are with us and perhaps other members will be here later.

In view of the fact the Senators have some other things they would like to do before a hearing of their committee this afternoon, I would like to suggest that we take up now, out of order, Item Number 7, which is a report on land management and sales program for all public lands other than sovereign.

We held a public hearing on this matter in Sacramento some time ago and due to a request expressed in a resolution adopted by the Senate, we have withheld final action pending an opportunity for this appropriate Senate Committee to gather together its own thoughts on the proposed revision of land policy.

So at this time I would like first, if there is no objection to this procedure, to call on Frank Hortig to make a brief statement outlining where we stand on this matter at the moment, and then we would like very much to hear from Senator Charles Brown, who has some remarks to make on this.

MR. HORTIG: Mr. Chairman, while slightly repetitious it might expedite matters if I were to read, for the benefit of the Committee and the Commission, the review of the
presentations made heretofore to the State Lands Commission on this matter, to serve as background for Committee consideration at its meeting this afternoon.

As you have already indicated in part, Mr. Chairman, the Commission at its meeting of May 24, 1960 directed the staff to undertake a study for the purpose of inventorying and classifying the unsold public lands granted to the State by Congress. There has been delivered to the Commission a "Report to State Lands Commission including Inventory and Classification of State Public Lands under its Jurisdiction," including a comprehensive statistical report.

Briefly, the report and recommendations provide for the establishment of a land management and sales program. Under the recommended program, all lands are proposed to be classified as to their highest and best potential use, whereupon those lands suitable for retention under Commission jurisdiction would be set up under a lease list and the remainder would be placed upon a sales list. These lists, through staff classification, will determine those lands subject to Commission retention and those which will be available for sale as demand exists. The report contains recommendations for suggested changes to existing statutes and to the Commission's rules for the purpose of simplifying the Commission's administration of these lands. Also included are suggestions for administrative solution of the problems posed by conflicts of interest between private applicants and public.
agencies.

In accordance with this summary which I have just read, the staff had heretofore recommended to the State Lands Commission the authorization which would be required and the modifications of rules and regulations to implement the program, and these are detailed in the recommendations on the next three pages of the agenda item, being Recommendations I through II.

The reports and recommendations were considered by the Commission at its meeting of May 24, 1962. Because of the complexity of the report and the policy considerations contained therein, it was felt that additional time was needed to study the recommendations made. To this end, the Commission directed that a public workshop discussion be held on June 27, 1962 (as you have already commented, Mr. Chairman) in Sacramento, with all known interested groups and individuals to be notified in advance, in order that their views might be expressed either orally or in writing. With approximately two thousand groups and individuals notified by formal letter, the public workshop discussion was held on the date specified, during which the entire program as proposed by the staff was discussed and reviewed.

I call your attention, gentlemen of the Committee and the Commission, to the fact that this workshop was held on June 27, 1962 in Sacramento and that on June 28, 1962 Senate Resolution Number 22 of the 1962 Third Extraordinary
Session of the Legislature was adopted, resolving "That no
action be taken by the State Lands Commission to adopt or
otherwise effectuate the recommendations unless and until the
proposed program has been reviewed by a Senate Committee
and a report thereon has been filed with the State Lands
Commission."

This resolution, of course, Chairman Brown, is the
resolution which has been referred to your Senate Fact Find-
ing Committee and is the subject matter of your call for a
review at two p.m. this afternoon. Arrangements then were
made, in view of this stage of the record, for your Committee,
Senator Brown, to review the program with the State Lands Com-
mision at its regularly scheduled meeting on September 27th,
which brings us to date and to this point in time, this morning.

MR. CRANSTON: Senator Brown?

SENATOR BROWN: Thank you, Mr. Chairman. I have a
prepared statement. This meeting of the Subcommittee on
State Lands of the Senate Fact Finding Committee on Natural
Resources is being held to consider the proposals of the
Division of State Lands recommending certain changes in the
policy of the State regarding the management and sale of
State lands. This committee was requested by the Senate Rules
Committee to study these recommendations pursuant to the pro-
visions of Senate Resolution No. 22 of the Third Extraordinary
Session of 1962, which states in part:

"Resolved by the Senate of the State of California
that no action be taken by the State Lands Commission to adopt or otherwise effectuate the recommendations unless and until the proposed program has been reviewed by a Senate committee and a report thereon has been filed with the State Lands Commission."

In the interest of time, it was felt that this committee should meet with the State Lands Commission to receive the program presentation so that all the recommended policies could be adequately discussed. We appreciate the kind invitation of the Commission to proceed in this manner.

At two p.m. today this Senate Committee will continue its hearing to afford those interested in this program an opportunity to make any comments they desire. If there is insufficient time to hear everyone this afternoon, you are invited to send your comments to the Executive Secretary of the Committee at Room 408 of the State Capitol Building in Sacramento.

Thank you. That would be my statement.

MR. CRANSTON: Do you or any of your colleagues have any questions on the policy at this time, Senator?

SENATOR BROWN: No, I don't. I don't know whether the Committee has.

SENATOR O'SULLIVAN: Not at this time, no.

MR. CRANSTON: The staff will be represented at your hearing this afternoon. We will be available for any questions that may arise in your mind.
SENATOR BROWN: We appreciate that. I am sure there will be questions this afternoon and we will be very glad to have them answered.

MR. CRANSTON: Thank you very much. Does anyone here have any questions or comments on this item on the agenda?

GOV. ANDERSON: Frank, will you then present to the Senate Committee this afternoon pretty much the same type of presentation you made to us here some weeks ago in Sacramento?

MR. HORTIG: As nearly identical as the written record will permit.

GOV. ANDERSON: In other words, they will ask questions and you will be answering them? You will be there personally?

MR. HORTIG: In addition to the body public, yes sir.

MR. CRANSTON: We will now proceed with the regular agenda. The first grouping will be .......

MR. HORTIG: Mr. Chairman, excuse me; but for the record, in connection with the item just under consideration I received this morning the following telegram:

"F. J. Hortig, Executive Officer
State Lands Commission
305 State Building
Los Angeles

Place me on record with State Lands Commission as protesting any proposed elimination of preferential rights now extended to first applicants on indemnity and exchange lands now pending as valid applications; and request such pending applications be processed to completion without further delay.

Assemblyman Frank Lancerman "
MR. HORTIG (continuing), Parenthetically, Mr. Chairman, the program recommended by Mr. Lanterman is the program which has been followed by the State Lands Commission and there has never been any recommendation for any retro-active application of any future modification of rules and regulations.

MR. CRANSTON: Senator, I would like to ask that you would, if possible, expedite the action by your committee on this. We have had the matter under study ourselves for a long period of time. We were finally approaching the point of action in June and then your committee expressed a perfectly proper desire to hear the matter. If you could move with whatever speed is possible, so we can get the program back on the land and continue to lease and sell land where it is appropriate, we would appreciate it. We are holding this up at the present time.

SENATOR BROWN: We will go forward with all speed possible.

MR. CRANSTON: Item Classification 2 -- The first Item 2 application is State of California, Department of Water Resources -- Permit to dredge 15,000 cubic yards of material from bed of San Joaquin River, San Joaquin County, for construction of a test levee section on landward side of existing Empire Tract Levee; item (b) - State of California Department of Water Resources -- Permit to dredge 15,000 cubic yards of material from bed of San Joaquin River, Contra Costa County,
for construction of a test levee on landward side of existing Jersey Island levee;

If anyone has any comment on any of these, please say so at the point when we bring it up.

Item (c) -- Sanitary District No. 1 of Marin County -- 49-year life-of-structure permit for a submarine pipeline over 0.059 acre of tide and submerged lands of Corte Madera Canal at Greenbrae, Marin County, for a sanitary sewer force main; (d) - University of the Pacific -- 49-year life-of-structure permit over 0.067 acre of tide and submerged lands of Bodega Bay at Dillon Beach, Marin County, for pipeline and appurtenant equipment to supply marine station laboratories with sea water.

That concludes Item 2. If there are no comments on any of them, a motion to adopt is in order.

GOV. ANDERSON: Move.

MR. CHAMPION: Second.

MR. CRANSTON: Moved, seconded and unanimously adopted.

Item 3 classification: Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission:

(a) Del Monte Properties Company -- 15-year pipeline easement, 0.772 acres tide and submerged lands of Spanish Bay, Monterey County, for a waste water outfall as an adjunct to a sand-processing vat; annual rental $592.83; item (b),
Tidewater Oil Company -- 10-year renewal of Pipeline Easement
P.R.C. 331.1, 0.356 acres tide and submerged lands of Pacheco Creek, Contra Costa County (for maintenance and use of oil pipelines and telephone cables), total rental $201.90; (c)
Fibreboard Paper Products Corporation -- 10-year renewal of right-of-way easement P.R.C. 302.1, 6.704 acres tide and submerged lands of San Joaquin River, Contra Costa and Sacramento counties, for pipelines - annual rental $696.88; (d)
Fibreboard Paper Products Corporation -- 10-year renewal of right-of-way easement P.R.C. 405.1, 0.631 acre tide and submerged lands of San Joaquin River, Contra Costa County, for water intake line, annual rental $278.27; (e) Pacific Gas and Electric Company -- 49-year right-of-way easement, 0.118 acre submerged lands of Cache Slough, Solano County, for transmission line for natural gas for commercial purposes, total rental $328.30; item (f), P. G. and E. -- 49-year right-of-way easement, 0.110 acre submerged lands of Cache Slough, Solano County, for transmission line for natural gas for commercial purposes, total rental $306.25; item (g) Pacific Gas and Electric Company -- 49-year right-of-way easement, 0.677 acre tide and submerged lands of Petaluma River, Sonoma County for tower line crossing, total rental $1,856.61; (h) Wilber C. Sandholdt and Lucille Ferguson -- 15-year lease, 0.79 acre tide and submerged lands of Monterey Bay on ocean side of Moss Landing Harbor, Monterey County (for a pier) -- annual rental $601.43; (i), Teachers Beach Association ......
MR. HORTIC: Mr. Chairman, excuse me — The State Lands Division has just received a letter from the attorney for the Teachers Beach Association, Mr. Forrest E. Macomber, stating that: "The directors of Teachers Beach Association have concluded that they cannot afford to pay my expenses in attending another meeting before the State Lands Commission. For this reason, I will not attend the meeting of the Commission on September 27th." However, Mr. Macomber desires to discuss with the Office of the Attorney General the opinion which has now been afforded the Commission prior to any Commission action thereon; and, therefore, I should like to recommend deferment of consideration of this item and to inform Mr. Macomber of the Deputy Attorney General's advice when such discussion will be held.

MR. CRANSTON: If there is no objection, item (i) will go over to a future time.

Item (j), George L. Thompson — Assignment of Mineral Extraction Lease P.R.C. 1434.1, San Joaquin River, Madera and Fresno counties, to Arroyo Rock Company, Inc.; item (k), Cerutti and Thompson Transportation Company — Assignment of mineral extraction lease P.R.C. 1435.1, San Joaquin River, Madera and Fresno counties, to Arroyo Rock Company, Inc.; item (l), Great Basins Petroleum Company — Consent to "Agreement and Ratification" under which owners of operating rights of "outside lands" will assume obligations of Compensatory royalty Agreement P.R.C. 2834.1, to assure
compensation to State for drainage of gas from State lands, San Joaquin County; item (m), Phillips Petroleum Company — Approval of Condensate Purchase Agreement between Phillips Petroleum Company and Tidewater Oil Company for sale of not to exceed 750 barrels per day of condensate, except at Tidewater's option, under State Oil and Gas Lease P.R.C. 2205.1; Item (n) Standard Oil Company of California, Western Operations, Inc. — Deferment of drilling requirements under Oil and Gas Lease P.R.C. 2199.1 to April 4, 1963 to conduct intensive reservoir evaluation program and to obtain suitable drilling barge.

GOV. ANDERSON: Can I ask a question? Why are we giving them that?

MR. HORTIG: The deferment proposed, Governor, is for six months, in conformance with operating policy herefore established by the State Lands Commission, as the maximum period for granting such deferments on other than extremely unusual conditions; and in the operation and development of this particular lease, the lessee has actually completed all drilling requirements and is actually ahead of the minimum schedule which is required by the lease. This is one of the leases where the completion of a new gas pipeline from Gaviota to Goleta is essential to take more production out of the area; and, additionally, further development at this time requires the use of a mobile drilling barge, of which there are none available for contract on the Pacific Coast at this time.
GOV. ANDERSON: This is the first deferment?

MR. HORTIG: For this lease, yes sir.

MR. CRANSTON: Item (d), Standard Oil Company of California and Shell Oil Company -- deferment of drilling requirements under Oil and Gas Lease P.R.C. 2198.1 through April 13, 1963 to complete an intensive evaluation of exploration information and data.

MR. HORTIG: The same answer relatively on this -- not precisely, Governor. The subject lease is one of the five issued in 1958 pursuant to competitive public bidding, on which no production has been established to date from the four wells that have been drilled. Other exploration activities have been undertaken on the lease at a considerable capital investment of the lessee. There are now available from adjoining leases data in addition to those from the four unsuccessful wells, which the lessee desires to have an adequate opportunity to evaluate, to determine whether an additional exploratory well is justified to be drilled; and, also, in connection with such drilling, if a location were selected today a drilling barge would be required for this operation and there would be no advantage to the State to force a quitclaim of this hitherto undeveloped lease at this time. There would be a modest negative fiscal advantage in that the State would lose the $3,540 of annual rental which they are being paid; and under the stage of development of this property it is most unlikely that, if quitclaimed, it
would produce any bids whatsoever on a re-offer, under the current state of knowledge.

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

If not, a motion to approve all items, except item (i) which was passed-over, is in order.

MR. CHAMPION: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded, and unanimously adopted.

Item 4 -- City of Long Beach approvals required pursuant to Chapter 29/56, 1st E. S. : Project (a) Pier B, Warehouse No. 2 relocation to Berth 17, second phase -- estimated subproject expenditures from September 27, 1962 to termination of $140,000, with $117,600 or 84% estimated as subsidence costs; item (b) Approval of and authorization for Executive Officer to certify approval of "Supplement to Crude Oil Sale Contract dated July 16, 1940 between the Board of Harbor Commissioners of the City of Long Beach, as Seller, and Signal Oil and Gas Company, as Buyer."

GOV. ANDERSON: What is the supplement?

MR. BORTIG: The supplement, Governor, relates to the necessary establishment of an accounting procedure in that the City's contractor, which originally contracted to produce and account only for oil on certain designated parcels of land in Long Beach has the area of the contract included with other upland operations by approval of unit
agreements for operation in the various fault blocks, specifically II, III and IV, in the City of Long Beach.

In the allocation of production, then, under the unit operation, there is production allocated to the City of Long Beach in excess of that actually produced from the parcel for which the City's contractor has had production and accounting responsibility; and in order to permit and require the contractor to handle this accounting and the shipment and to provide a market for the sale of this allocated oil, it is necessary that the existing contracts be modified.

The proposed form of modification has been reviewed and approved by the Office of the Attorney General as to legal sufficiency.

GOV. ANDERSON: Move.

MR. CHAMPION: Second.

MR. CRANSTON: Approval of Item Classification 4 is moved, seconded, unanimously adopted.

Item 5 -- Land items -- sales, selections, etc.

All land-sale items here presented have been reviewed by all State agencies having a land acquisition program, and no interest has been reported by those agencies in any of the lands proposed for sale:

(a) Selection of vacant Federal lands on behalf of the State; applicants do not desire to proceed with acquisition of the lands: (1) 80 acres in San Bernardino County, pursuant to application of Robert Glennon Barnes; (2) 120.93
acres in San Bernardino County pursuant to application of Paul P. Cohan. That's it.

MR. CHAMPION: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Approval is moved and seconded, without objection unanimously approved.

Item 6 -- Proposed oil and gas lease, Santa Barbara County - Parcel 11. Frank, do you want to comment on that?

MR. HORTIG: Yes, sir. The last lease offer pending under the Commission's sequential program for offering leases is for a parcel designated on the map following page 27 of your agenda as Parcel 10-A. It is immediately to the left of the crosshatched area, which is the subject of the item here today. Bids will be received on Parcel 10-A on October 18.

It is the staff recommendation that authorization be granted for the publication of notice of intention to receive bids on the next parcel in the sequential lease offer series, to be designated as Parcel 11, immediately easterly of the pending lease offer, Parcel 10-A. Parcel 11 is the crosshatched area on your map.

MR. CRANSTON: Motion is in order to accept the staff recommendation.

MR. CHAMPION: Move.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded, without objection
unanimously adopted.

We are passing over item 7, which we have already considered. Item 8 -- Confirmation of transactions consummated by Executive Officer pursuant to authority confirmed by the Commission at its meeting on Oct. 5, 1959. Frank?

MR. HORTIG: These items appearing on page 32 were extensions of existing geological survey permits previously authorized by the Commission. The item reported on page 33 is for an easement for a submarine pipeline from an existing oil and gas lease, crossing from the leased tide and submerged lands to the shore gathering facilities. This easement was issued under executive authority in order to meet construction schedules and is subject to confirmation of the Commission at this time.

GOV. ANDERSON: I'll move it.

MR. CHAMPION: Second.

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

Item 9 -- Informative only: (a) Proposed ocean-flo oil well completion, Santa Barbara County, by Shell Oil Company, under Oil and Gas Lease P.R.C. 2920.1. Frank?

MR. HORTIG: On the program of the staff to keep the Commission informed with technological developments and progress and tremendously interesting developments on lands under the jurisdiction of the State Lands Commission, this is to report that the Shell Oil Company have developed and the
staff have witnessed performance tests on an operating unit which will be placed on the ocean floor in connection with development of a lease recently issued by the State Lands Commission.

This is the fourth company and the fourth design and type which have been reviewed for safety and applicability by the staff of the State Lands Division and can, in general, be stated in point of time it probably is one of the most advanced types for this equipment that has been developed to date.

MR. CRANSTON: Item (b).--Report on status of major litigation.

MR. HORTIG: Of particular interest to the Commission would be the item (1) on page 35, relating to the case U. S. versus Anchor, which is scheduled to go to trial on issues other than causation, special defenses available to the State of California and the City of Long Beach to be considered by the Court commencing October 2.

MR. CRANSTON: Is there any other matter to come before the Commission?

MR. HORTIG: Yes, sir -- one I wish to report to the Commissioners for the record. The Commissioners are already aware that on September 20th, in connection with a lease offer for Parcel 8, cash bonus bids were offered as follows: The high apparent bid by Phillips Petroleum Company and Paukye Petroleum, Inc. for $6,100,000; the second bid by
Standard Oil Company of California and Shell Oil Company in the amount of $5,078,163.

These bids are under technical review by the staff and under legal review in the Office of the Attorney General, and the reasonable anticipation is that the recommendations with respect to the lease offer will be brought to the Lands Commission at the meeting of October 25th.

Additionally, Mr. Chairman, while it follows the next item -- confirmation of date, time and place of the next Commission meeting -- your office has indicated a desire to reschedule the meeting heretofore established for November 29th in Los Angeles to December 7th in Los Angeles. This will be reviewed with the respective secretaries in your respective offices, Governor, to determine whether or not your schedule and that of Mr. Champion can conform -- failing which we will go around for a mutually satisfactory date.

MR. CRANSTON: If there is no other business to come before us, the final act is confirmation of date, time and place of next meeting -- which is presently scheduled for Thursday, October 25th, in Sacramento. If there is no objection that will be the order and we stand adjourned.

Thank you all.

Adjourned 10:47 a.m.
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing eighteen pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California, on September 27, 1962.

DATED: Los Angeles, California, October 4, 1962.

[Signature]

LOUISE H. LILlico