TRANSCRIPT OF MEETING of
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA
October 25, 1962

PARTICIPANTS:

STATE LANDS COMMISSION:
Hon. Alan Evanston, Controller, Chairman
Hon. Glenn M. Anderson, Lieutenant Governor
Hon. Daniel M. Luavano, Chief Deputy Director of Finance, appearing for
Hon. Hale Champion, Director of Finance

Mr. F. J. Hortig, Executive Officer

APPEARANCES:
Mr. Gerald Desmond, City Attorney, City of Long Beach
Mr. William E. Gardner, Humble Oil & Refining Company
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OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
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MR. CRANSTON: The meeting will please come to order. First item is confirmation of minutes of meeting of July 26, 1962.

MR. LUEVANO: I move confirmation.

GOV. ANDERSON: Second.

MR. CRANSTON: Confirmation moved, seconded, adopted unanimously. Classification 3 -- Permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statute:

Applicant (a) State of California, Division of Highways -- Right-of-way easement, 1.6 acres submerged lands of Feather River, Butte County, for protection, construction and use of State Highway Route III But-21-6, Cul.

(b) State of California, Division of Highways -- Amendment of right-of-way easement P.R.C. 4020, submerged lands of Carquinez Strait, Contra Costa and Solano counties, to add 3.03 acres, previously omitted pending determination of State interest. Permit to be issued subject to right of Northern Railway Company and successors in interest to use certain lands.

(c) Pacific Telephone and Telegraph Company -- Agreement, pursuant to Section 7901, P.U.C., and Attorney General's Opinion No. 92/56, for telephone cable and appurtenances over 0.50 acre title and submerged lands of Hudson Slough, Sonoma County.

(d) U. S. Army Corps of Engineers -- one-year permit
to make cast borings on 136,23 acres school lands in Ingo County. Lorides to analyze soil characteristics; Commission to be furnished copy of final report.

Team (c) Quittitle Facilitating Company -- Performance of necessary research and examination at the time hereinafter agreed. Appoint a company, for continuous and timely reporting of the time.

Team (d) E. and M. -- 40-year right-of-way lease to be furnished


to be submitted.

The existing rights-of-way issued pursuant to statutes and established policies of the Commission:

Item (i) -- Parries, easements, losses and right-of-way issued pursuant to statutes and established policies of the Commission:

Applicant (a) Harriet L Loygan -- Fifteen-year lease, 0.20 acre tied and submerged lands of Sacramento River at City of Courtland, Sacramento County, for floating dock and appurtenant structures for small boats; $1,006 site clearance bond to be furnished.

Item (b) -- Pacific Gas and Electric -- 49-year right-of-way easement, 0.053 deve submerged lands of San Joaquin River, San Joaquin County, for coast levee of gas-line crossing.

The (c) -- Phillips Petroleum Company -- Deferment of $90.00 per month and $500.00 per year lease, unremunerated.

MOTION: Approved to moved, seconded, adopted.

ML. AGREED: Second to.

ML. AMENDED: I'll move for.

In order, the Commissioner then dissented to, motion to be quashed. Copy of case report, to be furnished to said, said correspondence, Commission to make each part on 136.23 acres school lands in Inyo...
GOV. ANDERSON: Could we have that explained for the record?

MR. HORTIS: Yes, Governor Anderson. The specific lease for which deferment of drilling and operating requirements is sought is one that has been developed in advance of the minimum time schedule required by the lease. Both exploratory and production wells have been developed on the lease and further development requires additional pipeline facilities to carry the gas from the area -- a gas line, which you will recall, is currently under construction and may be in operation in another ninety or one hundred twenty days. In place of being able to deliver gas to the gas pipeline at the present time, the Phillips Petroleum Company is returning gas to the well after producing it.

The advance developments over the minimal schedule carried out by Phillips Petroleum have produced large quantities of data, which ought to be analyzed in order to program any additional wells to be drilled in the area. Therefore, it is recommended that opportunity be given for such analysis particularly for the reason that during that time pipelines will be completed and thereafter the lease can be operated at its proper design capacity determined by the data analyzed during the deferment period.

GOV. ANDERSON: This is an approximate six-month period?

MR. HORTIS: It is a six-month period.
MR. CRANSTON: Item (c) Rancho Palos Verdes Corporation and Capital Company -- ten-year renewal of Lease P.R.C. 322.1, 0.55 acre site and submerged lands of Portuguese Bend, Los Angeles County, for pier and appurtenant facilities, annual rental $150.

A motion is in order on Item Classification 4.

GOV. ANDERSON: What is that last pier used for?

MR. FORTIG: It is the pier, Governor, you may recall, at the base of the area in Portuguese Bend that suffered the land slide damage and was originally erected for the benefit of the residents of the area. The future program of rehabilitation of the area will probably depend in part on the outcome of litigation which the landowners have with the County of Los Angeles, on which there has been a court decision but on which the County Counsel has announced an appeal will be taken. So, in the interim, it is the desire of the landowners to continue to lease the area on which the pier is constructed, even though the pier does not now receive any use.

GOV. ANDERSON: What use is it....

MR. FORTIG: It was purely a recreational pier.

GOV. ANDERSON: I'll move it.

MR. CASTAP: Second.

MR. CRANSTON: Approval of Item Classification 4 is moved, seconded and carried unanimously.
MR. CRANSTON: (continuing) Item 5 -- City of Long Beach approvals required pursuant to Chapter 29/56, sec 6.8. Approval in principle of use of City's portion of tideland oil revenues to defray estimated costs of $16,052,000 for portions of City of Long Beach shoreline development projects between Los Angeles River and Alamitos Avenue, further detailed as: The basic site for the maritime museum (I will not give the separate item amounts, but what they add to), right-of-way acquisition, roadway construction, utilities, parking lots, landscaping and sprinkler systems, Maritime Museum (as distinguished from basic site), auditorium approach, Rainbow Lagoon for a total of $16,052,000.

There is a note on the right-of-way acquisition:
"Approval for specific expenditure of not to exceed $2,045,000 for right-of-way acquisition and not to exceed $300,000 for preliminary engineering, etc."

MR. NORTIS: Mr. Chairman, if the Commissioners will refer to page 11 of the agenda and the proposed form of resolution, in addition to the resolution as set forth to authorize the expenditures you have already read of not more than $2,045,000 for right-of-way acquisition and not more than $300,000, both from the City's share of tideland revenues, for engineering, site investigations, design, construction administration and advertising, and similar preconstruction work -- in conformance with the reported opinion of the Office of the Attorney General, which you also have before you, it is also
recommended that the authorization for expenditure of no more than $2,045,000 for right-of-way acquisition be subject to the condition that if any substantial direct benefit should accrue to upland areas from the projects constructed on the acquired right-of-way, an appropriate apportionment of costs between tidelands and general municipal funds will then be required.

GOV. ANDERSON: Could I ask a couple questions?

I notice in the agenda, from your preliminary agenda to the final, you added the words "approve in principle." Then you are specific in these amounts of the expenditure of $2,045,000 for right-of-way and $300,000 for preliminary engineering. Does this imply that these other figures are general, but not specific?

MR. WORTIG: This is correct, Governor, to the extent, as noted in the text, that with respect to phases of the project that are approved in principle, it will be necessary for the City of Long Beach to prepare particular construction plans and submit these for later approval of the Lands Commission.

GOV. ANDERSON: So of these sixteen-million-plus figures, the only two that are specific on this motion are those two at the bottom of the page of $2,045,000 and $300,000?

MR. WORTIG: That is correct, sir.

MR. RANTON: Motion is in order.
GOV. ANDERSON: I'll so move.

MR. LUCIO: Second.

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

MR. DESMOND: Mr. Chairman, members of the Commission, I did want to say that we are very appreciative of the additional time given by the staff, by Mr. Hortig and his staff, and the Attorney General's Office, Mr. Howard Goldin and Mr. Jay Shavelson. We realize this is of tremendous importance to the City of Long Beach.

Councilman Ray Kealer, Chairman of our Oil Committee, is present and I express his appreciation also, together with City Manager John Mansell and others. We are very appreciative of your work on these items and others on which we know you are working closely with us and on which we may expect action.

MR. CRANSTON: Item 6 -- Land Items, sales, selections, etcetera. 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) 640 acres in San Bernardino County (pursuant to application of George McCardy); (2) 640 acres in San Bernardino County, likewise pursuant to application
GOV. ANDERSON: I'll move.

MR. CRANSTON: Approval is moved....

MR. LURVANO: Second.

MR. CRANSTON: ...seconded; made unanimously.

Item 7 -- Approval of maps of grants: (a) Authorization for Executive Officer to approve and have recorded Sheets 1 through 6 of 6 of maps entitled "Plat of the Grant to the City of Imperial Beach, Chapter 330, Statutes of 1961, Vicinity of Imperial Beach, San Diego County, California," dated February 1962; (b) Authorization for Executive Officer to approve and have recorded Sheets 1 through 3 of 3 of maps entitled "Plat of the Grant to the County of Orange, Chapter 320, Statutes of 1961, Vicinity of Dana Cove, Orange County, California," dated February 1962.

GOV. ANDERSON: This latter one, is this in any way related to the annexation problems along that beach there that we had a while back?

MR. MOTTIEG: No, sir. These are independent items, in that the plats here prepared by the State Lands Commission under service contracts with the County of Orange were required by legislative mandate, whereas the proposed annexation is a proposal by municipalities in the area.

GOV. ANDERSON: Are we talking about the same land?

MR. MOTTIEG: A portion of the same area; but, in any event, whether annexed or not, this is land that was
granted by the Legislature to the County of Orange in the vicinity of Dana Point. As a matter of fact, this was one of the reasons for the objections by the County of Orange to the annexation; but the surveying, mapping, platting, and recording of the grant limits is required by the statutory enactment to establish the legal estate in the grantee. This will result in administrators fifty years from now knowing where grants were located, which we can't talk about grants made fifty years ago.

MR. LUEVANO: I'll move it.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded, approved unanimously. Item 8—Consent to (a) assignment of partial interests in P.X.C. 2207.1 (oil and gas lease in Santa Barbara County) from Lawrence H. Arnold; Orwaca Land Company, a corporation; Gilbert C. Swanson, as Trustee under the last will and testament of W. Clarke Swanson; Gilbert C. Swanson; Edward W. Carter; Hale Bros. Associates, Inc., a corporation; Warren H. Crowell; Paul A. Appleby; A. E. Heidman; and Kenneth T. Norris to University Benefit Association, Inc.; and (b) concurrent assignment of the working interest from University Benefit Association, Inc., to Humble Oil & Refining Company. Such consent is subject to receipt of and review as to legal sufficiency of the resolutions of the respective boards of directors, or executed copy of specific assignments of interest in the assumption of obligations, and of evidence
of compliance with the lease bond requirements by Humble Oil & Refining Company.

MR. HORTIG: Mr. Chairman, one amendment by letter received yesterday afternoon from Humble Oil and Refining Company: It is respectfully requested that the application here being considered be amended by deletion in the text of the words "Gilbert C. Swanson as Trustee under the last will and testament of W. Clarke Swanson" and substitution of the following therefor: "Omaha National Bank and Gilbert C. Swanson, as co-executors under the last will of W. Clarke Swanson, deceased."

Humble Oil & Refining report:

"We regret any inconvenience that may be caused by this request. Unfortunately, we have just recently learned that this interest was not conveyed to the trustee, but it is still held by the Estate of W. Clarke Swanson."

This is, therefore, a technical correction which should be made to the item as here presented.

GOV. ANDERSON: The University Benefit Association -- will you tell me a little about that? Is that a tax-free group?

MR. HORTIG: Whether it is a tax-free group -- we have been informed that it is a nonprofit corporation, incorporated for the purpose of providing revenue benefits for the University of Southern California. Counsel for Humble Oil & Refining Company, who have this application pending, are here
with us this morning, Governor, if you would like to go into any of the further specific details. Actually, we did not review for purposes of this agenda the complete corporate structure, qualifications, et cetera, of the University Benefit Association because by approval of the item as here recommended the Commission's records will indicate that as of today the divided interests of the various individuals and associations named were finally transferred to Humble Oil & Refining Company, and University Benefit Association is only a momentary stop on the route to that assignment, and the responsible party for compliance with the lease terms and conditions as of the time of approval by the State Lands Commission will be the Humble Oil & Refining Company.

GOV. ANDERSON: My question -- maybe you can answer it. I was wondering -- I realize we are transferring this primarily from one corporate group to another, that is the net result; but the University Benefit Association comes in the middle. What does the University Benefit Association come out with? Will they have something they didn't have before or --

MR. HORTIG: In the process of the double transfer they retain a reserve oil payment which will be returned to the University Benefit Association over the years by the Humble Oil & Refining Company out of production as oil is produced. This is the reserved benefit to the University Benefit Association.
GOV. ANDERSON: It will be an endowment in a sense given by the Humble Oil & Refining Company to the University Benefit Association?

MR. SORTIG: It doesn't sound quite technically correct to me, Governor. I wonder if the Chairman would call on Mr. Gardner for the distinction -- which may not be different.

MR. GARDNER: Mr. Chairman ....

GOV. ANDERSON: We want to help you see the University Benefit Association gets some money; at the same time I'd like to know how you are doing this.


The purpose of doing it in this particular manner is to get all ten of these interests into a single owner, so that the single owner may convey to us and reserve a single oil payment, rather than to have ten individual oil payments and ten loans in the bank, and so forth. That is the principal purpose of this.

I don't think it is so much of an endowment from Humble Oil & Refining Company. Actually, the University Benefit does acquire a benefit by retaining some of the interest that is paid on this loan.

GOV. ANDERSON: Who does that interest come from?

MR. GARDNER: It's ultimately paid by Humble oilfield.

GOV. ANDERSON: It does come from Humble?
MR. GARDNER: Humble pays the University Benefit
the oil payment and also a certain amount of interest on the
oil payment, and the University Benefit in turn borrows from
the bank at a slightly lower interest rate; and the benefit
to the University Benefit is the difference in the interest
rate -- that is their profit in the transaction.

Mr. LLEVAND: Are there any interests left in the
University Benefit Association after what is described here
as a concurrent assignment of the working interests?

MR. GARDNER: They retain the oil payment based on
production, none of the working interest or operating inter-
est of the lease,

Mr. LLEVAND: And am I correct that the transfer
is, in fact, one from this set of owners in this portion (a)
to University Benefit Association, and from then to Humble?

MR. GARDNER: That is correct.

Mr. LLEVAND: Rather than from that set of trans-
ferees to the University Benefit Association and Humble?

MR. GARDNER: Well, the transfer ..... 

Mr. LLEVAND: In other words, the University
Benefit Association in this case is a conduit?

MR. GARDNER: That is correct. The first transfer
is from the ten present owners to University Benefit Asso-
ciation.

GOJ. NIXISON: And in exchange for some considere-
tion, then, the University Benefit Association would do

whatever interest they have. This is transferred to the
Humble Oil Company.

MR. GARDNER: That is correct, and they retain
the oil payment.

GOV. ANDERSON: And can point out exactly the na-
don't we?

MR. BOSTIC: Yes, sir.

MR. GARDNER: That is correct.

MR. LIEVAN: I'll move.

GOV. ANDERSON: Second.

MR. CRANSTON: The motion covers the amendment:
approval is granted unanimously. Thank you very much.

Item 9 -- Authorization for approval of claim for
refund to Board of Control by Lee O. Peachey, Dan P. Haigh,
and Lynda H. Hall, lessees under Lease P.R.C. 792.1, in
the sum of $1,055, representing rent paid by claimants to
State for which no possession of premises was ever obtained.
Further authorization for Executive Officer to present clai-
to Board of Control with recommendation for approval of pay-
ment. Although State had commenced legal action against the
trespassers who were occupying the leased area, there was a
reasonable anticipation of a group's resolution of the issue
therefore lessees ceased to deposit further rentals. Work
is in order.

GOV. ANDERSON: Ill move.

MR. LIEVAN: Second.
DE CHANSTONE: Approval is moved, seconded and made unanimously.

Item 10 -- Acceptance of bid and award of Oil and Gas Lease P.I.C. 2923.1 (Parcel 9-A), Santa Barbara County, to Phillips Petroleum Company, a Delaware corporation, and Pauley Petroleum Inc., a Delaware corporation, joint high bidders, in the cash bonus amount of $6,100,000.

Frank, do you want to comment on that?

MR. PONTIG: Me. Chairman, as the Commissioners will recall, the recommendation for acceptance of bid is predicated upon the bid offer received by the State Lands Commission on September 20, 1962, in which the joint bid of Phillips Petroleum Company and Pauley Petroleum Inc. was the high bid. The bid has been reviewed as to technical and economic sufficiency by the staff, and the Attorney General has reported that the bid submitted conforms with the bid requirements specified in the proposal of the Commission, with the applicable provisions of law, and the rules and regulations of the Commission. Therefore, it is recommended that the lease be issued.

GOV. ANDERSON: I'll move it.

MR. LIEVANO: Second.

Mr. CHANSTON: Approval is moved, seconded, made unanimously. I'd like to point out that this bonus money received will go to the State Water Resources Development Fund, since we have already received the approximate amount that...
goes to the General Fund and to operate the State Lands Commission. This is a real boost to the Water Plan. It brings the total collected in oil bonuses to $20,160,713, compared to $16,000,000 which we collected in the entire year, last year -- fiscally speaking. We are exceeding our expectation and hope to receive more money before the year is done and will be able to help the Water Plan further, which will reduce the amount of bonus necessary for that plan.

Item 11 -- Confirmation of transactions consummated by Executive Officer.

MR. HORTIC: The items reported on page 21, Mr. Chairman, consist of extensions granted under delegation of authority for one previously authorized geophysical exploration permit and one geological survey permit.

GOV. ANDERSON: Moved.

MR. LUEVANO: Second.

MR. CRANSTON: Moved, seconded, made unanimously.

Item 12 -- Informative only. No Commission action required.

(a) Report on status of major litigation.

MR. HORTIC: Mr. Chairman, of particular interest to the Commission, of course, would be the first item reported on page 22, which is the case U.S. vs. Anchor Oil, on which the trial on issues other than causation was held on October 2 -- which, of course, followed the last meeting of the Lands Commission; and the Court has now set a trial argument for December 15th this year on that case.
Also, on page 23, there are reported two new actions revolving about contentions as to the existence of problems in the Long Beach area, both as to existing operations as well as to prospective operations that are still under consideration with the City of Long Beach.

In the first instance, in the case of Twombly vs. City of Long Beach, the fundamental plea to the Federal District Court is that Long Beach received the tidelands from the United States and not the State of California, and therefore the City should not send any portion of the revenues to the State Treasury as required by law. The second case is an action filed by one Carl Whitson, on which to date we do not believe we have been served, contends that the proposed development by the City of Long Beach of the East Long Beach area would violate certain private rights. This action will also have to be defended inasmuch as specifically, in addition to the City of Long Beach, both the State Lands Commission and the State of California are named as party defendants in this action.

The State Lands Commission and the Controller are being represented in all these actions by the Office of the Attorney General.

MR. CRANSTON: No action being required on that.

After we will jump over 13 for the moment and go to 14 -- Application by Allied Properties for fifteen-year lease, tide and submerged lands of Santa Barbara Channel at Montecito,
Santa Barbara County, for construction, maintenance and use of pier and thirty mooring areas adjacent to Santa Barbara Biltmore Hotel for use of hotel guests; annual rental for 30-foot by 600-foot pier area, $258.18; total annual rental for thirty 50-foot diameter mooring areas, $562.20.

Motion is in order to approve.

GOV. ANDERSON: Will you explain this a little bit?

MR. HORTIG: Mr. Chairman, for the record may I report that despite the heading "Supplemental Item," this should be stricken from the revised calendar summary. This is not a supplemental calendar item. This is one of the items that necessitated the preparation of the revised calendar summary. It inadvertently had not been completed and included in the original summary, although application data, et cetera from the applicant had been received by the staff.

The Allied Properties, as operators of the Biltmore Hotel at Santa Barbara, Governor, propose -- as shown on the map on the very last page of your agenda -- immediately offshore from the hotel to erect a pier for landing at the hotel, and within the dashed outline indicated as "Anchorage Area, Parcel B" to place concrete block or other similar substantial anchors at spaced intervals on the ocean floor within the limits of the dashed area, which fronts on the hotel, to which anchor buoys will be affixed, and, in turn, boats of guests.

GOV. ANDERSON: How big will this parcel be?
MR. HORTIG: Well, there are thirty individual mooring areas scattered over the area, each mooring area fifty feet in diameter. The general appearance would be such as you have already observed, I am certain, offshore Catalina Island, where all the offshore moorings are located -- which, incidentally, are also under identical type of lease to the Catalina Island Company from the State Lands Commission.

GOV. ANDERSON: Three hundred by three hundred square foot area, is that right?

MR. HORTIG: Grand total; and thirty-foot easement for the pier,

GOV. ANDERSON: This is all private?

MR. HORTIG: All upland...

GOV. ANDERSON: All of this is private property?

MR. HORTIG: Private properties on which these structures will be placed. The area will be subject to public navigation as well as public access to the tide and submerged lands from the high water mark seaward.

MR. CRANSTON: Approval was moved simultaneously and unanimously by the Board members and approved unanimously.

We come to the final item -- confirmation of date, time and place of next Commission meeting. Note that this is a change from the earlier schedule: Thursday, December 6, three p.m., at Los Angeles.

GOV. ANDERSON: This is changed from the one we agreed upon?
MR. CRANSTON: Yes. This has been checked with your office. It stands confirmed if there is no objection.

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

ADJOURNED 10:45 A.M.
I, LOUISE H. LILLCO, hereby certify that the foregoing twenty pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held at Sacramento, California on October 25, 1962.

Dated: October 26, 1962, Los Angeles, California.

[Signature]

LOUISE H. LILLCO