TRANSCRIPT OF
MEETING
of
STATE ANDS COMMISSION
SACRAMENTO, CALIFORNIA
April 25, 1963

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

Mr. Alan Sieroty, Executive Secretary to
Lieutenant Governor Anderson

OFFICE OF THE ATTORNEY GENERAL:
Mr. Jay L. Shavelson, Deputy Attorney General

APPEARANCE:
Mr. W. M. Carlile, Jr.
Deputy City Manager
City of Stockton
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MR. CRANSTON: Let the meeting please come to order. First item, Classification 2 -- Permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statute:

Applicant (a) City of Palo Alto -- 49-year life-of-structure permit, 3.99 acres tide and submerged lands of San Francisco Bay, San Mateo County, for construction and maintenance of channel markers;

Item (b) Sacramento Municipal Utility District -- Life-of-structure permit, 0.092 acre sovereign lands of American River at City of Sacramento, for 12 KV power line to provide better service for Greater Sacramento;

Item (c) Department of Public Works, County of Sacramento -- Permit to extract approximately 1500 cubic yards of material from bed of the Sacramento River, Sacramento County, to create navigable waterway.

MR. CHAMPION: Move.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded, and so ordered unanimously.

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

(a) City of Stockton -- Sublease to Jack Benton, covering tide and submerged lands of Buckley Cove, San Joaquin County, currently leased to City of Stockton under Lease P.R.C.
1976, for boat harbor and appurtenant facilities.

MR. HORTIG: Mr. Chairman, Deputy City Manager Carlile of the City of Stockton, and the Director of Parks and Recreation, City of Stockton, are here if there are any questions with respect to this item.

MR. SIEROTY: Mr. Chairman I raise the question -- I think the City Manager can adequately give us the answer -- but in this case the State Lands Commission issued the lease to a governmental body at its minimum rental and here the City is executing a sublease to a private individual; and, whereas, had we executed the lease to a private individual there would have been a different rental, I thought we ought to look into this a little bit.

I understand the development here is completely in the interest of the City and certainly may be satisfactory, but as long as the City Manager is here, maybe he can explain the development.

MR. CARLILE: Mr. Chairman, I will be glad to. My name is W. M. Carlile, Jr. I am Deputy City Manager of the City of Stockton. We originally owned Buckley Island itself and, of course, the State had title to the submerged lands surrounding Buckley Island. Back in 1957-'58, we attempted to have a development there through the State Beaches and Parks. At that time, because of the small acreage, the State Beaches and Parks eliminated Buckley Island from consideration.

During the course of the next couple years, 1958
through 1959, we attempted to get a developer there on the Island, to provide the facilities that we felt were necessary to substantiate our one thousand miles of waterway in the vicinity of the City of Stockton. We were finally able to obtain one bidder; that was Mr. Benton.

Since that time, in the last three years, he has been able to provide one hundred sixty-three boat berths and we do have a master plan for the Island, which I would like to show at this time. If you would permit me, I want to show the full development.

(Plan displayed on wall)

Mr. Benton's development will be on the two sides of the cove. We plan, then, to have a central development for the public within this area right here (indicating throughout on plan) This is Brookside Road, entering into the park area. We will have a park in this area, along with an airplane model contest facility -- which you gentlemen probably understand is very difficult to have; you must have it out in an area which will not bother people. We also have reserved the right for public fishing all along the Stockton Deep Water Channel.

Now, originally in the lease with Mr. Benton we set forth a thirty-five year period. At that time he was to plow back all of his funds into the development to provide these restaurant facilities, boat berthing, dock, development of parkways, and so forth. At the end of the thirty-five
years, we have another section of the lease which will take
into account his profit that he will be making during this
interim development period. At that time, then, the profits
coming from Mr. Benton's commercial development will be con-
sidered in the rest of the development of the Island,

At the present time, Mr. Benton's profit is very
small. In our last analysis of his books, it represented
four per cent of his present investment.

GOV. ANDERSON: What is the amount of the lease?
What do we get on the property?

MR. HORTIG: One hundred dollars a year.

GOV. ANDERSON: And what is Stockton's sublease to
Mr. Benton? How much is that a year?

MR. CARLILE: There is no monetary return to the
City of Stockton for the first thirty-five years. He is
plowing back his profits in the development of the Island.

MR. HORTIG: I think possibly we should also add
the fact, Governor Anderson, that these facilities which will
have been constructed by the sublessee will ultimately become
the property of the City of Stockton, at no cost to the City
of Stockton.

MR. CARLILE: That's right.

MR. HORTIG: So what results from this development
is a fully developed small craft harbor and recreation facil-
ity, at no direct cost to the City of Stockton.

MR. SIERTOTY: Is there a limitation or control on
the profit of your sublessee there? You say you audit his books every year?

MR. CARLILE: That's right. At the time of the completion of the thirty-five year period, the profits will be taken into consideration.

I might point out the State lease is for fifteen years, with two ten-year options. There is eleven years to run on the original primary lease with the State; so at the end of the eleven-year period, the profits then can be analyzed and determination made for the rent to be paid.

MR. CRANSTON: Do you have any further questions?

GOV. ANDERSON: I don't think so.

MR. CRANSTON: Alan?

MR. SIEROTY: No.

MR. CRANSTON: Thank you very much.

Item (b) Pacific Gas and Electric Company -- 15-year easement, 1.079 acres tide and submerged lands of Sacramento River, Shasta County, for wire crossing -- annual rental $57.14;

Item (c) Pacific Gas and Electric Company -- 15-year easement, 1.148 acres tide and submerged lands of Russian River, Sonoma County, for overhead wire crossing -- annual rental $38;

Item (d) Pacific Gas and Electric Company -- 10-year renewal of Easement P.R.C. 353.1, 0.482 acres of Tuolumne River, Stanislaus County, for gas-line crossing, total rental $242.90;
Item (e) Phillips Petroleum Company -- Deferment of drilling requirements under Oil and Gas Lease P.R.C. 2207.I, Santa Barbara County, through December 21, 1963, to permit analysis and interpretation of data from wells drilled, and to allow lessees to obtain needed reservoir performance data from a producible gas sand underlying the lease.

GOV. ANDERSON: I'll move it.

MR. CHAMPION: Second.

MR. CRANSTON: Approval moved, seconded, made unanimously.

Item 4 -- City of Long Beach -- Item (a) Authorization for Executive Officer to certify approval of the "Agreement Amending Certain Contracts for the Sale of Natural Gas," between the City of Long Beach and its Board of Harbor Commissioners, as First Parties; Socony-Mobil Oil Company, Inc., as Second Party; Signal Oil and Gas Company, as Third Party; and Long Beach Dock and Terminal Company, as Fourth Party.

Any comments on that?

MR. HORTIG: Yes, Mr. Chairman. This is somewhat unique in terms of representing contracts that the City of Long Beach as such has not submitted for approval, inasmuch as it is contended by the City of Long Beach that these lands are owned by the City of Long Beach. However, the State has a claim to these lands and Deputy Shavelson is the attorney who is pursuing with the litigation with respect to that claim; and I wish he would comment on the reason for this
recommendation for approval.

MR. SHAVELSON: The lands involved in both item (a) and item (b) under "4" are lands which the City of Long Beach alleges that it owns in its municipal capacity, free of the Tidelands Trust. The State, in the case of the People versus Long Beach, takes the position that large portions of the lands covered are, in fact, tidelands; and that other portions are, regardless of their natural status, because of the way in which the City acquired them -- that is, in settlement of certain tideland litigation between 1938 and 1941 -- that the lands are held subject to the Tidelands Trust.

Our problem is that if these lands are, in fact, tidelands or held subject to the trust, then under Chapter 29 the approval of the Commission is required for these contracts. If they are not tide or submerged lands, or not held subject to the trust, then Commission approval is not required; but we think that under these circumstances the Commission should examine these contracts as if it were settled that the lands were tidelands; and if they turn out to be, then the contracts are validated. If they turn out not to be tidelands, then certainly no harm has been done by the Commission's action.

GOV. ANDERSON: Now, then, have we checked these agreements?

MR. SHAVELSON: Yes, we have, sir.

GOV. ANDERSON: In other words, we are not just
approving them to be on the record; you have checked them?

MR. SHADELSON: We have analyzed these agreements exactly as though the title to the tidelands were not in dispute.

MR. CRANSTON: Recommended for approval?

MR. SHADELSON: Yes.

GOV. ANDERSON: I'll move it.

MR. CHAMPION: Second.

MR. CRANSTON: Moved and seconded, adopted unanimously.

Item (b) Authorization for Executive Officer to certify approval of: (1) "Second Agreement Amending Contract for Sale of Natural Gas," between the City of Long Beach and its Board of Harbor Commissioners, as First Parties; Lomita Gasoline Company, as Second Party; Signal Oil and Gas Company, as Third Party; and Long Beach Dock and Terminal Company, as Fourth Party; and (2) "First Agreement Amending Contract for Sale of Natural Gas (PHARR 'G-1' WELL)," between the Board of Harbor Commissioners of the City of Long Beach, as First Party; Lomita Gasoline Company, as Second Party; and Signal Oil and Gas Company, as Third Party.

GOV. ANDERSON: My motion of approval, I thought, covered it all.

MR. CRANSTON: You are seconding that?

MR. CHAMPION: Second.

MR. CRANSTON: Approval is moved, seconded, and
unanimously ordered of the entire matter.

Frank, do you have anything to report on the meeting held Monday on the Long Beach Wilmington Oil item?

MR. HORTIG: Yes, sir. If you gentlemen will refer to Supplemental Calendar Item, page 36, attached to your calendars, pursuant to the directive from the Commission on March 28th, the State Lands Division staff did hold public reviews in Los Angeles on April 15th and April 22nd, which was last Monday. In response to your question, Mr. Chairman, relative to the proposed contracts for development of the Long Beach Unit of the Wilmington Oil Field, these reviews were full-day sessions, were attended by approximately one hundred representatives of the petroleum industry, the City of Long Beach, private citizens, and other interested parties. Full opportunity for discussion resulted in questions, suggestions, and recommendations that will provide factual bases for further staff consideration and coordination with the physical, legal and economic appraisals and recommendations including those that will develop from Senate Resolution 100, which was adopted on April 8, 1963, reading as follows (and reading only the "Resolved" portions):

"Resolved by the Senate of the State of California, That the State Lands Commission be requested to withhold until May 15th, 1963 its determinations with respect to all of the documents relating to a bid offering by the City of Long Beach for the extraction of oil, gas and hydrocarbons from the East Wilmington Oil Field; and be it further

"Resolved, That the State Lands Commission be
encouraged to continue public hearings and reviews by its staff relating to such existing or proposed documents, recognizing the value of such hearings and review to insure maximum participation by all those who may be concerned and who may aid in a final determination of the most appropriate approach for such extraction which will be to the maximum equitable benefit to the State, the City of Long Beach, and the industry; and be it further

"Resolved, That the Senate Rules Committee assign this resolution for study to the General Research Committee of the Senate, directing such committee to make a thorough physical, legal and economic appraisal of the proposed oil, gas and hydrocarbon extractions, as expeditiously as possible, and to report its recommendations thereon to the Senate at this session of the Legislature; . . ."

MR. HORTIG: (continuing) At this point, I can also report that the Senate Rules Committee has appointed a Special Research Committee of the Senate, Senator O'Sullivan, Chairman, together with six other members, who are proceeding with the study directed by this resolution.

For the further information of the Commission, Assembly House Resolution 196 I can now report was adopted April 23, 1963, and reading the resolution: (on the bottom of page 38)

"Resolved by the Assembly of the State of California, That the Assembly urges the State Lands Commission to approve promptly the Unit Agreement, Long Beach Unit, Wilmington Oil Field, California, Unit Operating Agreement, Wilmington Oil Field, California, and Field Contractor Agreement, Long Beach Unit, Wilmington Oil Field, California; . . ."

MR. CRANSTON: Anything further to report?

MR. HORTIG: No sir, unless in response to a question.
MR. CHAMPION: Is there any third course?

MR. CRANSTON: We will go on to Item 5 -- Authorization for Executive Officer to enter into an agreement.....

MR. HORTIG: Excuse me, Mr. Chairman. Under the circumstances, I believe it might be appropriate to read for the record letters received in general reference to the Long Beach contract subject, which were requested by the senders to be read into the record.

MR. CHAMPION: Can these documents be entered into the record without reading them?

MR. HORTIG: They can be. I can only say the request of one is: "It is requested that this letter be read verbatim into the record at the next formal meeting of the State Lands Commission"; and the other, "It would be appreciated if you would have this letter read into the record of your April 25 meeting."

MR. CHAMPION: I move that these be considered read into the record.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved and seconded, approved unanimously.

GOV. ANDERSON: You could identify them for the record.

MR. HORTIG: The letters which are the subject of the motion just passed are, (1), letter of April 1, 1963 from Pauley Petroleum Inc., Reference: Long Beach Tidelands, signed

OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
by Mr. L. E. Scott; and the second letter is one from the Long Beach Chamber of Commerce, April 22, 1963, signed by Orville Cole, M.D., President.

GOV. ANDERSON: And the contents of these letters are public. Anyone that wants to read them can come and read them, can't they?

MR. HORTIG: Yes, and they will be included in the transcript as produced for the Commission.

(Letters referred to are reproduced below)

"State Lands Commission
302 State Building
217 West First Street
Los Angeles 12, California

Attention: Mr. Frank J. Hortig, Executive Officer
Reference: Long Beach Tidelands

Gentlemen:

Attached herewith is an article found at Page A-6 of the LONG BEACH INDEPENDENT dated Saturday, March 30, 1963, wherein it is reported that Long Beach Oil Development Company, Signal Oil and Gas Company, Texaco Inc., and Union Pacific Railroad Company have filed a lawsuit in an effort to declare unconstitutional the City of Long Beach's Oil Production License Tax.

This is called to your attention in order that you may confer with your Staff and the Attorney General in an effort to ascertain the effect of this action upon the presently existing proposal before the State Lands Commission. We must always keep in mind that any tax, regardless of how small, has a material effect upon what a company bids in this area. One per cent of the value of the Long Beach Tidelands oil is approximately $45,000,000. If an ambiguity exists as to the legality of a tax to be levied upon a producer, it will materially affect the bid and could very easily eliminate competition and 'chill the bid' of those who do file a bid.

This and all other taxes become a major problem because of the remarkable statement by the City of Long Beach on
"March 28, 1963, in its comments relative to the statement of the undersigned to the State Lands Commission February 28, 1963. This statement, shown on Page 32 of Long Beach's statement, reads as follows:

'1. Ad valorem and other taxes;

COMMENT:
Although we appreciate the industry's concern over taxes, we submit that consideration of the tax question is not relevant to consideration of this contract.....'

"Reference is also made to the statement of the Attorney General at the March 28, 1963 meeting where he indicated that there is a strong possibility that the Field Contractor would have to pay an ad valorem tax on the total value of the production.

"It is our strong recommendation that the Attorney General be asked to file a formal opinion at an early date, setting forth the tax, the amount, and who is to pay same, on the Long Beach Tidelands. The Commission and Staff will no doubt agree that every business and each citizen of the State of California has the right to know the amount of its potential tax liability before making a commitment. We believe, also, that it is to the best interests of the State of California to know its potential tax income on a venture of this magnitude.

"It is requested that this letter be read verbatim into the record at the next formal meeting of the State Lands Commission.

Yours very truly,
/s/ L. E. Scott

LES:hb
cc: Hon. Glenn M. Anderson, Lt. Governor
    Hon. Hale Champion, Director of Finance
    Hon. Alan Cranston, Controller, State of California
    Senator Virgil O'Sullivan

FOLLOWING IS REPRODUCTION OF ARTICLE REFERRED TO IN FIRST PARAGRAPH OF ABOVE LETTER:

"FOUR FIRMS DEMAND OIL TAX REFUNDS

"Four oil companies Friday demanded refund of $66,693 in city oil production license taxes they paid last October under protest.

"The firms filed claims with City Treasurer William
"Ramsell for referral to the city council -- a move that normally precedes court action.

"Union Pacific Railroad Co. sought the largest amount, $52,356, paid both as an individual producer and as unit producer in the harbor district.

"Other claimants were Long Beach Oil Development Co., $7,403; Signal Oil and Gas Co., $5,711, and Texaco Inc. $1,255.

* * * * * * *

"IN ADDITION to the constitutional grounds cited in the original protest, Union Pacific raised a new argument. The company contended that during the period covered by the claim -- June-Aug. 1962 -- it already had a pre-paid license to do business in Long Beach.

"City officials noted that the new production tax license ordinance specified that pro rata amounts of the previous $50 annual license fee would be refunded or applied to the new levy. The production tax is three cents a barrel."

(End of newspaper article)

**

"Alan Cranston, Chairman April 22, 1963
State Lands Commission
Sacramento, California

Dear Mr. Chairman:

It would be appreciated if you would have this letter read into the record of your April 25 meeting.

In connection with the proposed Long Beach Oil Development program you are considering, we wish to stress one important objective of the City's which is of paramount importance to the people of Long Beach. It is the absolute necessity of avoiding land sinkage.

As you know, Long Beach has just emerged from the grim shadow of subsidence of its harbor, shoreline and downtown areas. Land over the developed part of the Wilmington Oil Field has sunk as much as 27 feet in one place and sinking has spread over 20 square miles. More than $90 million of damage has been suffered by public and private properties. Thousands of lives have been endangered. The Long Beach Navy Shipyard, our
"second largest industrial activity and payroll, was threatened with closure.

Subsidence did irreparable and inestimable damage to Long Beach's economy by frightening away investment capital. As you know from our correspondence with your Commission, dating back to September 13, 1955, the Chamber of Commerce fought literally for years to force a cure for subsidence. The fight demanded the combined and intense efforts of many of our top governmental and civic leaders, almost to the exclusion of other constructive projects. It was a bitter struggle which we, at all costs, are determined not to repeat.

We have learned from harsh experience that subsidence is easier to prevent than cure. The Long Beach proposal is designed to do just that -- prevent subsidence.

The principal difficulty Long Beach faced in stopping subsidence, which centered in the presently developed part of the field, was the large number of economic interests involved, although the City and the State had practically no control over their actions, the complete cooperation of those numerous interests was essential to develop an effective repressuring program. The delays in getting that cooperation spread over too many years while a vital part of the City sank. In fact, cooperation speeded up only after the coercive effect of the Navy lawsuit.

In the plan now before you, there will be only one operator, there will be adequate City and State control, and there will be no danger of disputes over where, when, and how to repressure and thus prevent subsidence. But if you divide the economic interests and the responsibilities, you will open the door for the specter of subsidence to again appear.

Our Chamber lead the successful effort to pass the February 1956 City law which prohibited any oil development in the offshore area you are considering, until adequate subsidence safeguards were presented in an oil development plan to be approved by the voters. The City carefully prepared such a plan and our Chamber supported it in the February 1962 election when the City voters approved it.

We do not believe the people of Long Beach would have approved the proposed oil development without being assured that the field would be developed as one unit with City control to avoid any subsidence hazards.
"We likewise believe that if the City's control is
lessened, and the safeguards against subsidence
weakened, the people of Long Beach will demand that
the ban against drilling in this area be restored.

'We are stressing to you the seriousness with which we
view the subsidence aspects of this matter because,
other than in the City's presentation, we have seen no
evidence of concern about subsidence on the part of
those who are critical of portions of the City's
proposal.

'We endorse the City's program as submitted to you and
urge its approval. To keep the record current about
the dangers of subsidence, we are also submitting a
pictorial brochure we prepared in 1957 which shows some
of the severe damage Long Beach had suffered up to that
time. We cannot let such a catastrophe happen again.

Respectfully,

/s/ Orville Cole
Orville W. Cole, M.D.
President

MR. SIEROTY: May I make a short comment? The
Long Beach Chamber of Commerce letter, which has been placed
in the record, refers to the subsidence problem in Long
Beach and gives as a reason for opposing the breaking of
the Tract 1 area into undivided interests, or any other
break up, the need for subsidence control; and it says in
here that "We are stressing to you the seriousness with
which we view the subsidence aspects of this matter because,
other than in the City's presentation, we have seen no evi-
dence of concern about subsidence on the part of those who
are critical of portions of the City's proposal."

So I would like to say that I was at the hearing,
representing Lieutenant Governor Anderson and I stated, and I am sure that the Commission feels this way, that we are definitely probably more concerned about the subsidence features than any other single feature in this area; and it is in the record of the hearing, but I thought we might present that now for the Chamber of Commerce's information.

MR. CRANSTON: Yes, I am sure the record of the Commission indicates continuing interest and careful interest in the matter of subsidence.

MR. CHAMPION: And, as a matter of fact, I see unanimity on that subject that has led to the discussion of other things.

MR. CRANSTON: We will go on to Item 5 -- Authorization for Executive Officer to enter into an agreement with Beachlake Corporation, stipulating the Ordinary High Water Mark along the Gulf of Santa Catalina, and fixing the boundary between State tidelands and property owned by Beachlake Corporation in the vicinity of Oceanside, San Diego County.

MR. HORTIG: As the Commissioners may recall, at recent meetings the fixing of the boundary for the major portion of the ocean frontage along the City of Oceanside, which is owned by the City of Oceanside, was approved by the Commission. The present segment of boundary here recommended for approval is the only intervening privately owned segment, and this is compatible with the boundary previously approved for the City of Oceanside on either side of the City of
Oceanside, in the two previous recommendations.

GOV. ANDERSON: This connects the two pieces?

MR. HORTIG: That's right -- closes the last gap.

GOV. ANDERSON: I move it.

MR. CHAMPION: Second.

MR. CRANSTON: Approval moved, seconded, ordered unanimously.

Item 6 -- Authorization for Executive Officer to execute an agreement which will convey to the United States of America a limited leasehold interest in approximately fifteen acres of tidelands in Santa Barbara County, for the period from August 31, 1962 through June 30, 1968 (in the interest of national defense).

MR. HORTIG: The United States Government has filed an intermittent period seven-year condemnation of Point Sal State Beach Park in connection with the necessity for controlling the area in the light of the operations being conducted from Vandenberg Air Force Base in the Pacific Missile Range. The recommendation that a limited leasehold interest be granted in this tidelands strip to the United States for the same period as the condemnation for the Park parcel is in lieu of the United States condemning the State lands. By this method it will be certain that at the expiration of the limited agreement for leasehold interest, the title for the tidelands will revert to the State of California without any question.

GOV. ANDERSON: How wide is the strip -- just
MR. HORTIG: Inasmuch as it contains only a total of fifteen acres and it is several miles long and is described as "the tidelands" and not the submerged lands, it is that strip of varying width between high and low tide; in other words, that area which would be uncovered by the flow of the tide daily, averaging somewhere between one hundred and two hundred feet.

GOV. ANDERSON: It reaches all the way from Mussel Point to these rocks down south?

MR. HORTIG: That is correct, sir.

GOV. ANDERSON: How long is that strip -- several miles?

MR. HORTIG: Yes sir, at least five miles.

GOV. ANDERSON: Five miles?

MR. HORTIG: The strip of necessity is very narrow or it would be more than fifteen acres. It is only the tidelands strip down to low tide.

GOV. ANDERSON: I'll move it.

MR. CHAMPION: Second it.

MR. CRANSTON: Approval moved, seconded, made unanimously.

Item 7 -- Acceptance of bid made by Union Oil Company of California and Humble Oil & Refining Company, for Parcel 12, Santa Barbara County, with cash bonus payment of $612,840. Frank?
MR. HORTIG: As the Commission will recall from the previous report, the apparent high bidder for Parcel 12, pursuant to published notice of intention authorized by the State Lands Commission, was the joint bid of Union Oil Company of California and Humble Oil & Refining Company -- offering a cash bonus of $612,840.

The bid offer has been reviewed by the Office of the Attorney General as to legal compliance with all bid terms and conditions, and by the staff of the State Lands Division as to technical and economic sufficiency, and it is recommended that a lease be awarded pursuant to this high bid.

MR. CHAMPION: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded, adopted unanimously.

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

MR. HORTIG: These actions again, Mr. Chairman, were in the nature of replacement leases for previously authorized but expiring grazing leases; and extensions of the terms of offshore exploration permits previously authorized by resolution of the State Lands Commission; and the execution of a temporary permit to the U. S. Corps of Engineers for a very limited term, to permit utilization of an area for taking off and landing amphibious aircraft on the shore of Mono Lake, for military exercises.
MR. CHAMPION: Move approval.

GOV. ANDERSON: Second.

MR. CRANSTON: Approval moved, seconded, made unanimously.

Item 9 -- Anything new on that?

MR. HORTIG: We, of course, bring attention to the action previously referred to but not previously calendared because of lack of the date for answer to be filed on motion for leave to file supplementary complaint on the part of the Solicitor General, seeking to reactivate the case of U. S. versus California relating to sovereignty of lands offshore from the mainland of California, more than three miles from the offlying Channel Islands. An answer is to be filed on this action by May 14th and but for the fact that he is in attendance at our meeting today, Deputy Shavelson would be enmeshed and immersed in the completion of the draft of this answer, along with other members of the staff of the Attorney General's Office in Los Angeles, to proceed with counsel's portion of the implementation of the full defense of the State's position, as directed at the last meeting.

MR. CHAMPION: May I ask whether we are opposing the opening or whether we are assuming that we should proceed with some sort of legal action? Is there any question of opposing the opening?

MR. SHAVELSON: Mr. Champion, the present issue is primarily a procedural one, the United States taking the
position that this is a continuation of the old case. We haven't prepared our brief yet and we can't make any public statement, but it is very likely we will take a contrary position on that procedural point; but as far as the necessity for settling the controversy, I think there is no great difference between the United States and California.

MR. CHAMPION: I was curious about that because I think members of the Commission received letters -- I think from Under-Secretary Carr, which asked if we were willing to proceed with this, regardless of the procedural aspects of what is going to be before the courts, the idea being that we should get some decision on the general controversy.

MR. SHAHELANSON: May I ask if that was since the filing?

MR. CHAMPION: Yes.

MR. SHAHELANSON: Will we be furnished with copies?

MR. HORTIG: You can be.

MR. CRANSTON: Is that all?

MR. HORTIG: Yes, sir.

MR. CRANSTON: We have a supplemental calendar item, informative, on status of legislation. Do you have any further information?

MR. HORTIG: Not beyond what was cataloged there -- other than, of course, the data with respect to Senate Resolution 100 and House Resolution 196 have been updated since this tabulation as to their current status.
MR. CRANSTON: Do you have any information on the current status of the dredging of the Bay and the filling in of the Bay?

MR. HORTIG: As a result of participation in the Assembly Oil and Manufacturing hearing, which consumed two hours yesterday afternoon -- Assemblyman Kennick, who was hearing the measure, had asked that I attend the hearing for possible technical support and administrative advice as to how the measure could be administered if adopted. Many contentions, both pro and con, with respect to the matter were made after Assemblyman Kennick requested that I comment on the contemplated action, inasmuch as this was not a measure which was requested to be introduced by the State Lands Commission but has been requested by one of our potential permittees and, indeed, one of our present sand and gravel extraction lessees. The result was that in necessary responses to these questions, I became involved in more discussion and debate than any other single opponent or proponent of the measure.

MR. CHAMPION: How were you eventually categorized?

MR. HORTIG: I didn't hear any direct quotes. I can only report that the committee ordered the bill "Do Pass."

MR. CRANSTON: What does the bill comprise?

MR. HORTIG: The bill will authorize the State Lands Commission to issue permits for the extraction of sand and gravel subject to all the currently existing protections...
under State Law, but without the necessity of describing precisely, in accordance with normal legal requirements for issuance of a lease, the exact area from which sand and gravel is to be extracted, the necessity for such roving description for extraction of sand and gravel which will arise when extractors find that it becomes necessary to go outside of the Golden Gate in the ocean, where the sand is shifting continuously and in case of severe storms a particular body of sand has been known to move more than two miles in twenty-four hours.

Consequently, if a State lessee had a particular description in his lease, he might find he no longer had any sand in the area in which he was authorized to operate.

Therefore, so that operations could be conducted under a general permit, in which the amount of sand extracted would be measured and the State's royalty paid on that sand, is the announced purpose of Senate Bill 339.

As to the objections that were voiced, ultimately the objectors all agreed they had no objections per se to the removal of sand; they were fearful that this might produce a body of construction and fill material that would result in an expansion of filling activities in San Francisco Bay to the detriment of the tidal waters and the esthetics of San Francisco Bay -- which, as the Chairman pointed out, was the problem of local zoning proponents.

MR. CHAMPION: There is other legislation which
would prohibit this.

MR. HORTIG: As of two days ago, Assemblyman Petris introduced a bill to, in effect, provide a four-year moratorium on filling projects in San Francisco Bay. I should report to the Commission that all filling projects in San Francisco Bay currently authorized and currently in operation are on granted tide and submerged lands and have been granted by particular municipalities, and have not been authorized by any State body, or on privately owned tidelands purchased many years ago from the State. So there are no activities authorized by the State Lands Commission that are any part or parcel of the problem and concern with respect to Senate Bill 339.

MR. GRANSTON: This bill actually does not speed up extraction; it just proposes to make it a simpler matter to carry out the work?

MR. HORTIG: It might make it feasible to extract sand in the outer ocean, where admittedly it is more costly to get it but where ultimately San Francisco contractors are going to have to get it because they are running out of usable sand in San Francisco Bay.

GOV. ANDERSON: Under present law you are limited to sand within the Bay?

MR. HORTIG: No, sir.

GOV. ANDERSON: Can you describe that sand outside the Bay?
MR. HORTIG: Yes, we could today -- if the sand would stay in the area we describe.

GOV. ANDERSON: So for all practical purposes, you can't sell it beyond the Bay?

MR. CHAMPION: People won't buy it.

GOV. ANDERSON: The present law limits you for practical purposes to inside the Bay?

MR. HORTIG: Or such areas where the sand doesn't have the tendency to move. It doesn't move this rapidly most places offshore, but right off San Francisco Bay it does.

GOV. ANDERSON: So, in a sense, we are expanding our operations outside the Bay, where effectively we can't sell it now.

MR. HORTIG: However, the statute would apply statewide.

GOV. ANDERSON: In this particular case we are talking about a sand bar that moves?

MR. HORTIG: Right.

GOV. ANDERSON: What is also discussed, aside from filling inside the Bay -- the erosion effect to the sand on the beach, and so on.

MR. HORTIG: Yes. Inasmuch as the proposal in Senate Bill 339 is simply an addition of administrative flexibility to the Public Resources Code, issuance of a permit pursuant to such authorization would be subject to all existing safeguards -- which include now the necessity, prior to any
issuance of permit or lease by the State Lands Commission, for a reference of the permit application to the Division of Beaches and Parks for analysis and report as to whether or not the operation may have a detrimental effect on the adjoining recreational lands; for review by the successors to the former Department of Natural Resources; also the U. S. Army Corps of Engineers must issue a permit as to the locale of the dredging specifically, irrespective of the permit by the State Lands Commission, which is based on an assurance that there will be no hazards created to navigation; and, finally, Senate Bill 339 as amended yesterday in committee by the author would provide that, in addition to all these other bodies that must review a permit before it can be issued by the State Lands Commission, review will also be made by the Resources Agency of the State of California; and, finally, the statute provides that if any of these reviews indicate that there could be any detrimental effect, the Lands Commission must modify the form of permit and put in restrictions and safeguards to insure that there will be no detrimental effect before the permit is issued.

GOV. ANDERSON: Did you go on record in favor of this bill?

MR. HORTIG: No sir, I did not.

GOV. ANDERSON: In other words, as far as we are concerned we have not taken a position?

MR. HORTIG: No sir, and all we reported on was
how it appears it would administrated if it were adopted and the technical features, and the existence of these safeguards that are already in the statute.

GOV. ANDERSON: I think you should keep it on that basis; because not knowing too much about it, my reaction would be to oppose the thing and even with all these safeguards in there, I am still worried about the effects of the bill because I haven't seen much on what the effects would be of the bill. In fact, I have explained that I am opposed to it several times and I would be opposed to the Commission taking any position in support of it.

MR. HORTIG: We did not take a position in support of it. We were only there as technical consultant.

MR. CRANSTON: I'd like to ask about the Petris moratorium. That would affect us in some areas?

MR. HORTIG: I don't believe so. We have not seen the bill in printed form, but from the press releases, as I pointed out, the State Lands Commission has no filling operations in San Francisco Bay.

MR. CRANSTON: There could be some?

MR. HORTIG: There could be, but it has been some years since the State Lands Commission has had an application to fill any State lands.

MR. CRANSTON: This would simply stop dredging.

GOV. ANDERSON: Is there any other legislation -- We had this constitutional amendment that affected certain
tidelands in San Francisco Bay. Is there any legislation now before the Legislature which would make additional grants subject to this kind of filling or development?

MR. HORTIG: Well, there are probably fourteen grant bills in various stages going through the Legislature, of which three or four affect San Francisco or San Pablo Bay, of which two affect specifically tidelands offshore from the City and County of San Francisco. One of them affects tidelands that have been filled for many years and this is by way of clearing the record. In other words, the entire Marina area of San Francisco, that is filled and has streets on top of it, is still for the record technically tidelands until this legislation grants the lands and removes the navigation trust; but, specifically, there is a bill that would authorize the Lands Commission to sell the remaining underwater streets within that area, which has been designated by another statute as the Hunters Point Reclamation District; and the obvious purpose for which the Legislature created this district is to fill and provide industrial lots and industrial sites.

MR. CHAMPION: Without going into it further, could we have a memorandum on legislation which would affect San Francisco Bay filling or use for any purpose of tidelands grants? For instance, I know the Port Authority has either put in a bill, or intends to put in a bill, which will assist them in the development of the so-called
Embarcadero City, which may get into this whole complex.
I think it would be helpful if we had a memorandum of all
the legislation now, on which effects are analyzed.

MR. HORTIG: This, of course, we can do forthwith,
with respect to San Francisco Bay. I think at the same time
we should include for your information everything else that
is pending for other tideland areas elsewhere in the State
of California; there are probably three times as many bills
for other areas, other than San Francisco Bay.

MR. CRANSTON: Any further matters?

MR. SIEROTY: I was asking Mr. Hortig whether he
might want to make a comment on Senate Bill 298.

MR. HORTIG: Senate Bill 298, which is one of the
ten bills which the Lands Commission authorized to be intro-
duced at its request -- which would provide clarification of
the authority in the State Lands Commission to unitize State
lands in conjunction with an adjoining pre-existing develop-
ment -- was scheduled for committee hearing, Senate Committee
on Governmental Efficiency, yesterday morning; but the
author, Senator Rees, requested that the hearing be deferred
to a date indefinite.

MR. CRANSTON: Any further matters to come before
the Commission? (No response) If not, the final item is
reconfirmation of date, time, and place of next Commission
meeting -- which is Thursday, May 23rd, 10:00 a.m., here in
Sacramento. There being no further matters, we now stand
adjourned.

* * * *
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing thirty 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 April 25, 1963.

Dated: Los Angeles, California, May 6, 1963.

[Signature]

LOUISE H. LILlico