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TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA

July 25, 1963

PARTICIPANTS:
THE COMMISSION:

Honorable Hale Champion, Director of Finance, Chairman
Honorable Glenn M. Anderson, Lieutenant Governor
Mr. Charles S. Hurley, Administrative Assistant to
Honorable Alan Cranston, State Controller

Mr. F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Miriam E. Wolff, Deputy Attorney General

APPEARANCES:

In the order of their appearance:

Mr. Sidney S. Gorman, Chief Engineer
San Francisco Port Authority

Mr. David Joseph
Department of Fish and Game

Mr. Harold Lingle
Deputy City Attorney
City of Long Beach

I N D E X

(In accordance with Calendar Summary)

3	<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
1	1. Call to order			
2				
5	2. PERMITS, EASEMENTS, and RIGHTS-OF-WAY, NO FEE:			
6				
7	(a) State of California Division of Highways	4	1	20
8	3. PERMITS, EASEMENTS, LEASES, and RIGHTS-OF-WAY, FEE:			
9				
10	(a) San Clemente Sportfishing	5	2	off calendar
11	(b) Richfield Oil Corporation	7	3	20
12	(c) Holly Corporation	10	4	21
13	(d) American Metal Climax Inc.	13	5	21 and 24
14	(e) Seaside Sand & Gravel Co.	14	11	21
15	(f) Phillips Petroleum Co.	15	13	22
16	(g) Phillips Petroleum Co.	16	14	22
17	(h) Phillips Petroleum Co.	17	15	22
18	(i) Standard Oil Co. of Calif.	19	6	23
19	(j) San Francisco Port Auth. MOTION on item (j) -----	20	18	1 19
20	(k) Santa Catalina Isl. Co.	21	20	off calendar
21	MOTION on all items except (a), (j), (k) --			23
22	4. CITY OF LONG BEACH			
23	(a) Approval Third Agreement Amending Contract for Sale of Natural Gas, Harbor Comm., Superior Oil & Humble, and Lomita	8	23	26
24				
25	(b) Approval expenditure not to exceed 30,800 from tideland oil revenue for track-laying tractor	6	25	26
26				

continued

I N D E X

(In accordance with Calendar Summary - continued)

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(a) Suzannah S. Neighbour	1	26	27
(b) Hugh M. Neighbour	3	28	27
6. Selection on behalf of State of 198.11 ac. Federal land, San Bernardino County, etc. (applic. Minnie Eldora Brewer)	2	30	28
7. Approval amended descrip. Tideland Survey 48 Bolinas Bay Marin County	9	31	29
8. Exemption from competitive public bidding - Board of Edu- cation, Downey Unif. School Dis.	18	33	31
9. Approval amendment Paragraphs VII and VIII of Unit Agreement Dow Chemical, et al, re P.R.C. 714.1 and P.R.C. 729.1	12	34	32
10. Acceptance bid and issuance of lease, Parcel 14, Orange County to Union Oil Co.	11	38	33
11. Confirmation of transactions of Executive Officer: Signal Oil and Gas Company	22	40	34
12. Informative - Litigation	23	41	34
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14. Report on Long Beach Unit			35
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I N D E X
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1 MR. CHAMPION: The meeting will please come to
2 order. I understand you want us to take first, out of
3 order, item 3(j); we have people here from the San Francisco
4 Port Authority, Mr. Gorman and Miss Wolff.

5 The item is: Permit to dredge approximately
6 3,500,000 cubic yards of material from four shoal areas within
7 City and County of San Francisco and Marin County. Royalty
8 of eight cents a cubic yard to apply only to material ex-
9 tracted from shoal areas not under the jurisdiction of the
10 San Francisco Port Authority.

11 Now, I understand either Mr. Gorman or Miss Wolff
12 want to make a presentation asking the Commission not to make
13 that exception -- that the whole thing should be without
14 payment of royalty, and that is the question before us.
15 Would you care to speak to it, Miss Wolff?

16 MISS WOLFF: Yes. I have here a map which you
17 gentlemen might like to see, of the shoal areas.

18 MR. HORTIG: They have one attached to their agenda.

19 MISS WOLFF: Thank you very much. Does it have
20 the jurisdiction lines on it?

21 MR. HORTIG: Yes, it does. It follows immediately
22 after page 19.

23 MISS WOLFF: Well, Mr. Chairman, Governor, and Mr.
24 Hurley, I feel that I wish to explain first that Mr. Magnin,
25 the president of the San Francisco Port Authority, wished to
26 be here and make this presentation himself this morning, but

1 the press of other business kept him from the meeting and I am
2 afraid we are relying on a very weak reed here.

3 We have up here on your podium a picture of what we
4 propose to use this thing for, so you may see very clearly it
5 is to be used for purposes of commerce and navigation.

6 I am not ordinarily so modest, but I always feel
7 when you come before a Commission such as this and urge the
8 Commission to go contrary to an experienced staff's recommenda-
9 tion, you have a great uphill battle. I am urging you to do
10 that and I feel quite justified in doing so, because the
11 staff's recommendation really has never had to our knowledge
12 the benefit of any presentation of the State interests actually
13 involved.

14 I think I should explain to you gentlemen first that
15 under the Code section, 6303, which the staff has reprinted in
16 their calendar item summary, it is very clear that the question
17 before you is a question of discretion -- that in the event
18 you find it is in the best interests of the State of California
19 to permit the San Francisco Port Authority to have sand and
20 gravel free from Point Knox Shoal, which is the only one of
21 the shoals located outside the jurisdiction of the San Fran-
22 cisco Port Authority -- and even that shoal, gentlemen, is
23 partly within the jurisdiction of the San Francisco Port
24 Authority and partly outside -- if in your discretion you find
25 it is in the best interests of the State of California, then
26 you will, I am sure, also find that the position taken by the

1 staff is unfortunately contrary to those interests.

2 Now, the problem is simply this: The State of
3 California holds all of these shoals in trust for commerce
4 and navigation, and it holds the whole Bay of San Francisco
5 in trust for commerce and navigation. What the Port Authority
6 proposes to do with the sand and gravel which it wishes to
7 extract is to use it to build a terminal, and the terminal is
8 the one substantially as depicted.

9 Now, the Port Authority has not arrived at this
10 conclusion carelessly or thoughtlessly. When the present
11 Port Commission was first appointed by Governor Brown, it
12 sought outside expert assistance. It first got some reports
13 from Stanford Research and it then got some experts to make a
14 long, detailed study of what was needed for the Port Authority.
15 The Port Authority is a State agency; the State agency holds
16 it in trust for commerce and navigation. So the advance study
17 has led inevitably to the terminal you see before you.

18 The present terminal buildings are very old. The
19 study concluded that with very few exceptions they were not
20 worth rebuilding; that the character of shipping has changed
21 and it requires the type terminal structure you see. Now,
22 that sort of terminal structure requires a great deal of fill
23 in order to bring it to deep water, and it is that fill
24 material which is the calendar item on your agenda.

25 I think you will regard this as you would regard
26 any other trust which you administer. You administer this

1 particular trust primarily for purposes of commerce and navigation.
2 gation. The purpose for which the Port Authority wants the
3 property is solely, entirely and completely for commerce and
4 navigation. Roughly, the State Lands Commission has jurisdiction
5 over minerals generally, but there is an exception of
6 the property within the jurisdiction -- of the State property
7 within the jurisdiction of the San Francisco Port Authority.
8 There are, of course, exceptions to already granted State
9 lands.

10 Now, for purposes of convenience, in 1947 -- I must
11 say I go back that far -- the State Lands Commission was
12 granted jurisdiction by the Legislature to make mineral leases
13 on property within the Port Authority jurisdiction, with the
14 consent and approval of the San Francisco Port Authority, the
15 proceeds of such mineral leases to be divided fifty per cent
16 to the Lands Commission and fifty per cent to the Port Authority.
17 Now, this is the Commission's sole jurisdiction within
18 the land presently under the jurisdiction of the San Francisco
19 Port Authority, within the mineral lands or any other lands.

20 Apparently leases have been entered into. Now, I
21 say "apparently." It's a rather peculiar situation. We have
22 written the Lands Commission to get a list of valid leases
23 existing on San Francisco Port Authority property of this
24 nature. This is a rather ancillary problem.

25 MR. CHAMPION: You mean mineral leases?

26 MISS WOLFF: Mineral leases, yes. I have a

1 recollection myself that there have been some approved leases,
2 at least one approved lease, maybe more. There are some un-
3 approved leases. Nevertheless, those leases have been con-
4 sistently paying something like 4.6 cents, of which 2.3 cents
5 accrues to the San Francisco Port Authority. Your staff's
6 recommendation with reference to Point Knox is that the San
7 Francisco Port Authority pay eight cents -- all of which, of
8 course, will accrue to the general fund.

9 Now, I think this is rather strange that in property
10 in the Port's jurisdiction, the Port is recovering either 4.6
11 or 2.3, however you want to look at it, and property just
12 immediately outside their jurisdiction they will be requested
13 to pay eight cents.

14 I direct your attention first to the fact -- I think
15 the discretion of this Commission should be so exercised that
16 the Port Authority pays nothing and that this Commission deter-
17 mine it is in the best interests of the State of California to
18 permit this construction to go forward without the payment of
19 fee; but that even if you were to exercise your discretion un-
20 favorably to this request, I think it really quite astonishing
21 that on one hand we lease property for 4.6, on the other hand
22 we pay for the very same property eight cents.

23 Now, there are some things, too, that should go into
24 your conclusion before you exercise your discretion. One is
25 that the San Francisco Port Authority, while a State agency,
26 is nevertheless a self supporting State agency and it receives

6
1 no payments from the general fund and never has. It has been
2 in existence now for a hundred years without any payments, as
3 you, Mr. Hurley and Mr. Champion, know.

4 We are now proposing a bond issue for this very
5 construction. The bonds will have to be serviced from these
6 very revenues and, obviously, the cost of the sand and gravel
7 which goes into this construction has an effect on the over-
8 all payment. So it seems it is a case of taking the money out
9 of one pocket and putting it into another.

10 MR. CHAMPION: May I ask this -- We were assured in
11 approving that bond issue that this was feasible and that was
12 not contingent on any general fund contribution; in other
13 words, the bonds would be self-supporting -- the situation
14 with the Port Authority was such that there would be no con-
15 tribution from the general fund.

16 MISS WOLFF: That is correct, but undoubtedly the
17 character and nature of the construction will be dependent
18 upon its total cost, or maybe on its primary feasibility. I
19 frankly confess that in figuring the cost, the cost of the
20 fill material would be only the cost of removal and setting it
21 in place.

22 I'd like to go into an ancillary matter. I have
23 heard it expressed that the staff of this Commission might be
24 fearful of setting a precedent. I want to remind you that,
25 first of all, the situation, I think, is unique; but even
26 assuming it were not, you have had a precedent for many years

1 in that the State highways have free access for borrow fills.
 2 While in my personal opinion no special code is necessary,
 3 that is made possible because there is a special code section.
 4 This particular code section is based on the premise that it
 5 is of greater benefit to give it to the people of State of
 6 California than selling it to private industry, and this is
 7 exactly the same situation you are faced with here today:
 8 Is it of greater benefit to the people of the State of Cali-
 9 fornia to permit the Port Authority to use this for construc-
 10 tion purposes for the public's benefit, or is it of greater
 11 benefit to hold it for sale to private industry?

12 There is one matter that I did not catch until I
 13 saw the complete calendar item. The shoals within the San
 14 Francisco Port Authority area are solely within the jurisdic-
 15 tion of the Port Authority. They are of interest to the State
 16 Lands Commission only when a private lease is made of those
 17 mineral rights and those shoals should be deleted from this
 18 calendar item because the Attorney General's Office has ruled,
 19 and I think without any question, that the jurisdiction of
 20 this Commission over those shoals is only for the very limited
 21 purpose of leasing them to outsiders with the approval of the
 22 San Francisco Port Authority.

23 Now, obviously, if valid leases exist on those shoals,
 24 the Port Authority will be under a duty to protect the rights
 25 which may be in the lessee, but that is a duty which now
 26 devolves on the San Francisco Port Authority in the event it

1 uses the property within its jurisdiction.

2 Now, there is one further matter and that is --
3 if you gentlemen have that map, you will see that while there
4 are three shoals with usable sand, that sand within the Port
5 Authority jurisdiction - - Let me put it more positively:
6 We know the shoal outside the Port Authority jurisdiction is
7 very good sand; the shoal in Marin County is a very good
8 shoal. I do not know whether your map is numbered like
9 mine. Shoal Number 4 we might be able to use, but there is
10 some problem of interference right off the end of the piers.
11 We might have some interference with use for commerce; we
12 might have some difficulties with the use of that shoal.

13 Mr. Gorman, the Chief Engineer, is here. I think
14 he can answer any of the technical questions you might be
15 interested in asking with reference to the materials and the
16 extent.

17 Before I leave you gentlemen, I'd like to say this:
18 I'd like you to remember that the San Francisco Port Authority
19 is not a wealthy State agency. At the Port meeting yesterday,
20 there was considerable discussion about whether to spend on
21 maintenance two items amounting to three thousand dollars
22 each. So while, in the kind of figures that most State
23 agencies are used to, this might seem like a relatively small
24 amount -- although it should be in excess of \$280,000, which
25 is not a large amount for too many State agencies -- but
26 assuming we took only a small portion from the Marin County

1 shoal, it is to the Port Authority a substantial item. And
2 I think this is one of the items that you will consider also --
3 whether it is to the State's best interests to permit the Port
4 Authority to extract this without payment of royalty.

5 Would you gentlemen care to hear from Mr. Gorman?

6 MR. CHAMPION: I think that as of the moment it is
7 really not a technical question that is involved here, and
8 I'd like to hear the staff comment on this before we proceed.

9 MR. HORTIG: Mr. Chairman, in the same order in
10 which the points were presented to you by Miss Wolff, first,
11 with respect to the possibility of a charge of eight cents per
12 cubic yard as against other quoted figures for existing leases
13 in San Francisco Bay, the prior royalty payments and prior
14 royalty collections by the Commission result from leases
15 issued up to fifteen years ago in San Francisco Bay; and in
16 view of the need of the Port Authority for fill material and
17 the limited supply, which impinges even further upon the com-
18 mercial availability of this sand, result is that the latest
19 bid offer for the latest lease -- which has not yet been
20 brought to the Lands Commission for award -- starts at a
21 minimum eight-cent payment.

22 There is also under consideration a sublease of an
23 existing lease, which would increase the sand value from the
24 lower average value that has been experienced heretofore to
25 somewhere on the order of ten to twelve cents per cubic yard.

26 So in consonance with the current economic value of

1 these sand deposits, the staff recommendation of eight cents
2 was based on what was actually probably at this time a minimum,
3 in order to not overload the cost to the Port Authority if a
4 value is to be charged. Actually, it is the economic com-
5 mercial minimum as of today, whereas it is true the figures
6 quoted by Miss Wolff are correct, unfortunately, because of
7 long-term leases which have been in existence for a consider-
8 able number of years and date back to a time when there wasn't
9 the tremendous need for nor the increase of the economic value
10 of the sand deposits in San Francisco Bay.

11 Again, as to the precedent with the Lands Commis-
12 sion under 101.5 of the State Highways Code, which provides
13 for use of areas of State lands for construction by the State
14 Division of Highways, this is a statutory directive which, by
15 approval of the Lands Commission as successor in interest to
16 the Surveyor General's Office, can be carried out. While the
17 argument in principle is undoubtedly sound and the analogy on
18 State agencies and State navigation interests is completely
19 correct as Miss Wolff stated it, nevertheless the only State
20 agency that has statutory authorization by the State Lands
21 Commission with respect to removal of fill from State lands is
22 the Department of Public Works.

23 MR. CHAMPION: Are there any other State agencies
24 that go the other way? Have we actually sold anything to
25 other than the Division of Highways?

26 MR. HORTIG: I don't recall any at the same political

1 level. Special subdivisions, harbor divisions and so forth,
2 have in some instances paid royalty for material for develop-
3 ment of that harbor where they had a legislative grant, but
4 subject to mineral rights of the State. There, again, we have
5 a difficult analogy because, as Miss Wolff pointed out, these
6 lands are still owned by the State with an original trust for
7 commerce and navigation; so the analogy is not complete with
8 respect to a political subdivision.

9 MR. CHAMPION: With all due respect to the Port
10 Authority, it is an unusual State agency.

11 MISS WOLFF: Only because the State allowed the
12 rest of the lands to get out of its jurisdiction.

13 MR. HORTIG: Then, concentrating for the moment on
14 only those shoal areas which are defined within the jurisdic-
15 tion of the San Francisco Port Authority in the Attorney
16 General's opinion which you have before you, it is Miss Wolff's
17 position that the Authority will determine what it will remove,
18 and how the operations will be controlled is in the Port Auth-
19 ority and does not require a permit from the State Lands Com-
20 mission as such. This is, I think, a highly technical
21 mechanical problem and while in principle the staff will
22 agree -- some documentation of some type, whether it is a
23 letter of understanding or a report from the Port Authority
24 back to the Lands Commission, or the Lands Commission says,
25 "This is what we have agreed you are going to do," however
26 we classify the document, I am sure can be worked out without

1 suggesting that anyone is impinging on anyone else's
2 jurisdiction.

3 MR. CHAMPION: Has there been any legal examination
4 of this contention by our counsel?

5 MR. HORTIG: No sir, not to this moment -- because
6 the legal examination went to the point of, one, may the Port
7 Authority remove sand or move sand within the area of its
8 jurisdiction at no cost -- answer, "Yes." Number two, may
9 they do it likewise from areas in San Francisco Bay but out-
10 side their jurisdiction, outside the City and County of San
11 Francisco. The answer is automatically "no," but in the dis-
12 cretion of the Lands Commission this might be approved. So
13 it is the last question that is really before the Commission
14 now, to wit, whether or not to approve the staff recommenda-
15 tion that there be a charge for such material as might be
16 removed from Marin County.

17 MR. CHAMPION: If we acted on the staff recommenda-
18 tion, we could do it with a stipulation of no prejudice to
19 the claim of Miss Wolff that this is really unnecessary for
20 the Port Authority. There is not any reason why that
21 couldn't be done.

22 MR. HORTIG: And at staff level the appropriate
23 documentary record could be established to cover the situa-
24 tion; that is correct.

25 MR. CHAMPION: Is there anything further?

26 MR. HORTIG: No, sir.

MR. CHAMPION: Is there anything further you

1 would like to say?

2 MISS WOLFF: Just one thing, on the amount. I hate
3 to get off on the ancillary question of the amount because I
4 think the matter of principle is the more important one; but
5 I think it is not two months ago that the San Francisco Port
6 Authority had submitted to them by the staff of the Lands Com-
7 mission for tentative approval a lease in Southampton Shoal
8 for five cents, and it seems to me to be a case where we are
9 pulling ourselves up by our own bootstraps by making it eight
10 cents. It may not seem very much to you, but considering all
11 the sand that has been extracted in San Francisco Bay, this is
12 a tremendous amount commercially, so obviously we are raising
13 the price, in effect, for usable sand probably all over the
14 area. Nevertheless, only two months ago we rejected the pos-
15 sibility of releasing Southampton at five cents because we
16 knew we needed it. The first time we saw the eight cents was
17 on the agenda item.

18 I don't quarrel with Mr. Hortig; I don't think eight
19 cents is a high figure, and I wish all the leases were that
20 way, but I do say that you will consider the benefit to the
21 State. The entire essence of the problem -- you really get
22 back to this fundamentally -- is: Does the State hold its
23 property for the production of revenue, or does the State hold
24 its property for the general public good.

25 MR. CHAMPION: Of course, the problem here presented
26 is the one frequently presented where the San Francisco Port

thority or some local interest, where there may be an interest to the State of California and there is also a greater interest, when going into the matter there is the problem of whether or not there is a call on the general fund to support that agency. Now, the way that agency has been kept in its present position is as a self-supporting agency. There has been no call upon general revenues of any kind to support it and, in effect, this would become a general fund subsidy because the revenues to be received in any lease of this kind do flow to the general fund. So we are saying, in effect -- the argument would have to be, and I admit to me it is not persuasive, that the whole State benefits, and benefits about equally with the local area. It seems to me in this case this is not true.

The State has gone a long way in lending its bond authority to the Port Authority for this development and now to go further and subsidize the development itself out of potential general fund money goes too far. Of course, I am wearing my other hat. Of course, I am supposed to be the protector of the general fund and it is in severe need of protecting, as the Port Authority is of protecting its interest in this new venture. If you have any comment on this general fund relationship, I'd like to hear it.

MISS WOLFF: I have just this comment. Other port areas have been more fortunate. Let's take Long Beach, for example, which secured a grant and now obtains oil revenues.

Correction

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22 est in this new venture. If you have any comment on this
23 general fund relationship, I'd like to hear it.

24 MISS WOLFF: I have just this comment. Other port
25 areas have been more fortunate. Let's take Long Beach, for
26 example, which secured a grant and now obtains oil revenues.

1 That is oil revenue that would have been able to go to the
2 general fund. Long Beach and San Francisco are, of course,
3 generally competitive. There are other areas, including
4 Stockton, in which the State spent a great deal of money to
5 help bring the channel up to the Port of Stockton; that is
6 general fund money, gentlemen. You had some matching funds in
7 Sacramento -- that's general fund money. I don't think you
8 can name a single port development that hasn't had some help
9 from the general fund, except probably the San Francisco Port
10 Authority, the only area which the State retained for itself.

11 Now, Mr. Champion, you and I have a wholly different
12 approach on this. I think the State kept the San Francisco
13 Port because it was a great port, because it was a natural
14 resource for the State of California and the Legislature was
15 not going to let the City get the benefit of it because it was
16 of benefit to the whole State of California. Of course, it is
17 a utility and I think you have to look at a port that way.
18 I admit we are at a point of conflicting philosophy on port
19 structures, generally.

20 GOV. ANDERSON: Just a couple elementary questions.
21 It is my understanding, according to this map, they will not
22 be expected to pay anything for Southampton or Telegraph be-
23 cause they are within the Port Authority's jurisdiction, and
24 for Presidio?

25 MR. HORTIG: That's correct.

26 GOV. ANDERSON: The only one is Port Knox?

1 MR. HORTIG: Designated as Shoal Number 2, Port
2 Knox Shoal, and only that portion of Port Knox Shoal that lies
3 in Marin County. It lies principally in Marin County, but
4 there is a small portion that lies in San Francisco County,
5 and as to that portion it would be recommended that there be
6 no charge for the fill removed.

7 GOV. ANDERSON: Some of that is on the San
8 Francisco side?

9 MR. HORTIG: It is so small that it is in the cross-
10 hatching. This is defined in 1770 of the Harbor and Navigation
11 Code.

12 GOV. ANDERSON: So what we are actually talking
13 about, is something likely belonging to Marin County. Is
14 there any advantage to that area to take this material out of
15 there?

16 MR. HORTIG: Well, Marin County as such has no
17 authority over the shoal area. It lies within the County of
18 Marin, but as to mineral resources, it is under the jurisdic-
19 tion of the State Lands Commission of the State of California.

20 GOV. ANDERSON: There is no benefit or need for
21 navigation to get that shoal cleaned out or anything?

22 MR. HORTIG: Well, all shoal areas that can be
23 removed in San Francisco Bay normally, without upsetting the
24 tidal bore and tidal currents, are an asset to navigation by
25 their removal; and, indeed, for many years before construction-
26 type sand and gravel became a valuable and short-supply commodity

1 in San Francisco Bay, the U. S. Army Engineers expended
2 Federal funds to dig up some of these shoals to keep the navi-
3 gation channels clear and actually barged the sand out in the
4 ocean in order to get rid of it. The shoals are still a navi-
5 gation hazard and they continue to reform in part. Because
6 much of this material is brought down from the Sacramento and
7 San Joaquin Delta, at the point where the waters lose enough
8 velocity in tide, they cannot carry this material in suspension.
9 So there is a gradual decrease and the anticipated need of
10 supply is going to be greater.

11 GOV. ANDERSON: What they need -- can they get
12 enough out of 1, 2, 3, and 4?

13 MR. HORTIG: This is not precisely known. We have
14 discussed this with Mr. Gorman very briefly and the probabili-
15 ty is that Shoal Number 2 might turn out to be the most desir-
16 able and the largest supplier of the material. Actually,
17 until the material is dredged, sorted and separated from the
18 mud and silt, how much of it is good fill sand for the type of
19 construction there you cannot really tell until it is processed;
20 and while you can estimate as to 1, 2, 3, and 4, the estimates
21 are very optimistic for Shoal Number 2, Port Knox.

22 Incidentally, there would be a problem removing
23 Telegraph Shoal Number 4 there; because of the possibility of
24 shipping, and so forth, it would be a converse bonus, because
25 of all the places not to have a shoal area, it would be
26 Telegraph Shoal.

1 GOV. ANDERSON: It seems to me that would apply to
2 Presidio and perhaps the one in front of the island there.

3 MR. HORTIG: Except as to their actual content, as
4 to specification grade sand.

5 GOV. ANDERSON: And you haven't had a chance to
6 determine that?

7 MR. HORTIG: And we do not have sufficient sand
8 from boring tests to really know.

9 GOV. ANDERSON: One last thing, on a different
10 matter. Do you feel, then, if we take the recommendation which
11 your staff is making that this will not apply or affect any
12 other State agency, any other public agency?

13 MR. HORTIG: That is the presumption on which this
14 recommendation has been drafted.

15 MR. CHAMPION: Are there any further questions or
16 comments? (No response) I want to ask one thing: Are there
17 any adverse effects so far as the Bay, the whole full contro-
18 versy of the Bay -- are there any foreseeable adverse results
19 by removal from any of these shoals?

20 MR. HORTIG: In a very limited sense in terms of
21 disturbing natural habitat of particular marine organisms who
22 have grown up at that particular location. There are people
23 who do protest any removal of any sand either from San Fran-
24 cisco Bay or along the ocean shore anywhere in the State of
25 California; but again, it is a problem of balance, of supply
26 and demand, as to all of the factors involved.

1 MR. CHAMPION: I recognize that not a stone shall
2 turn in some cases; but I wanted to ask whether there were any
3 specific foreseeable and serious, or at least significant,
4 adverse effects.

5 MR. HORTIG: From studies, we are not aware of any
6 potential disadvantage to removing a shoal area. Additionally,
7 it must be pointed out, of course, that such operations would
8 require a dredging permit based on maintenance and navigation
9 interests from the U. S. Corps of Engineers.

10 MISS WOLFF: That permit can be obtained.

11 MR. HORTIG: Any possibility of damaging effect re-
12 sulting from the dredging operation would be a consideration
13 in the issuance of that permit by the Army.

14 MR. CHAMPION: And there were no objections?

15 MR. GORMAN: Yes, there were objections, but the
16 permit has been granted.

17 MR. CHAMPION: Is there anything further? What is
18 the pleasure of the Commission?

19 GOV. ANDERSON: I move the State's recommendation.

20 MR. HURLEY: I'll second it to bring it to a vote,
21 but I am going to abstain from voting because I haven't had a
22 chance to discuss it with Mr. Cranston.

23 MR. CHAMPION: To make the problem clear, I can
24 second and there won't be any question of the record. I'll
25 second, then, and there being no further objection that will be
26 the order. The staff's recommendation is approved.

1 MR. CHAMPION: (continuing) Let's return to the
2 calendar in order, then. Number 2 -- Permits, easements, and
3 rights-of-way to be granted to public and other agencies at no
4 fee, pursuant to statute. Consideration is the public benefit,
5 Applicant (a) State of California, Division of Highways --
6 Addition to right-of-way Easement P.R.C. 2923.9, sovereign
7 lands of the Sacramento River, Sacramento and Yolo counties,
8 of 1,037 acres for State Highway Route III Yol.Sac.-6-C, Sac.

9 GOV. ANDERSON: I move it.

10 MR. HURLEY: Second.

11 MR. CHAMPION: If there is no objection it will
12 stand approved.

13 Number 3 -- Permits, easements, leases, and rights-
14 of-way issued pursuant to statutes and established rental
15 policies of the Commission. (a) has been deleted from the
16 agenda?

17 MR. HORTIG: That's right.

18 MR. CHAMPION: (b) Richfield Oil Corporation --
19 6-month permit to conduct geophysical exploration operations
20 from July 25, 1963 through January 24, 1964, tide and submerged
21 lands Santa Barbara, San Luis Obispo, Monterey, Santa Cruz,
22 San Mateo, San Francisco, Marin, Sonoma, and Mendocino counties.

23 MR. HORTIG: All the counties as noted were notified
24 of the consideration of this application and of those counties
25 who acknowledged receipt of the notice, none stated any objec-
26 tion to the issuance of the permit.

1 GOV. ANDERSON: How many were they?

2 MR. HORTIG: Fully two-thirds of them -- Santa Bar-
3 bara County, San Luis Obispo County come back to my recollec-
4 tion; Marin County, San Francisco County, as I recall, re-
5 ceived the notice and directed that it be filed, and that was
6 all; and the balance of the counties, I might add, have here-
7 tofore never objected to the issuance of this type of permit.

8 The application originally included Humboldt and
9 Del Norte counties as submitted by the applicant, but in view
10 of the fact that we are not clear with the Boards of Supervisors
11 of Humboldt and Del Norte County as to the feasibility of this
12 type of permit, the staff deleted those counties from this
13 recommendation for permit until such time as we can have a
14 clarified understanding with those counties.

15 MR. CHAMPION: And the applicant is satisfied to
16 go ahead with the permit on this basis?

17 MR. HORTIG: That is correct.

18 MR. CHAMPION: (c) Holly Corporation -- Assignment
19 from Lark Corporation of sublease of Lease P.R.C. 2408.1,
20 tide and submerged lands of Carquinez Strait, Contra Costa
21 County; (d) American Metal Climax, Inc. -- Two-year prospect-
22 ing permit, 40 acres State sovereign land, Imperial County, for
23 geothermal steam and energy, etc. at standard royalty rates;
24 (e) Seaside Sand and Gravel Co., Inc. -- Waiver of minimum
25 extraction requirements, Lease P.R.C. 2616.1, for lease years
26 ending July 27, 1961, July 27, 1962, and July 27, 1963. Lessee

1 unable to meet requirements because of severe storm damage.

2 MR. HORTIG: Mr. Chairman, if I may amplify, the
3 recommendation for this waiver is also conditioned on the
4 requirement that the lessee fulfill during the next lease year
5 the minimum lease operating requirements or the lease will be
6 terminated. It is felt that if in four years he hasn't been
7 able to get going, there is no advantage to the continuing
8 existence of this lease and the bookkeeping problems involved
9 and no economic benefit either to the lessee or the State
10 resulting out of the existence of the contract.

11 GOV. ANDERSON: You are satisfied the delay was
12 occasioned by the storm damage?

13 MR. HORTIG: Yes -- primary cause.

14 MR. CHAMPION: (f) Phillips Petroleum Company --
15 49-year right-of-way easement 5,256 acres of tide and sub-
16 merged lands of the Santa Barbara Channel, Santa Barbara
17 County, for submarine flow line for movement of production
18 from Well No. 1, Oil and Gas Lease P.R.C. 2933.1, annual
19 rental \$149.31;

20 (g) Phillips Petroleum Company -- 49-year right-
21 of-way easement, 4,832 acres tide and submerged lands of
22 Santa Barbara Channel, Santa Barbara County, for submarine
23 flow line to provide for movement of production from Well No.
24 3 on Oil and Gas Lease P.R.C. 2933.1, annual rental \$137.26;

25 (h) Phillips Petroleum Company -- 49-year right-
26 of-way easement, 6,418 acres tide and submerged lands of

1 Santa Barbara Channel, Santa Barbara County, for submarine flow
2 line to provide for movement of production from Well No. 2 on
3 Oil and Gas Lease P.R.C. 2933.1, annual rental \$182.32;

4 (i) Standard Oil Company of California -- Two
5 25-year easements for pipeline crossings of Middle River and
6 Old River, San Joaquin County, one containing 0.222 acre, at
7 total rental of \$244, the other containing 0.136 acre at
8 total rental of \$150.

9 MR. HORTIG: Mr. Chairman, this results in a total
10 rental of \$394, as against pre-existing easements authorized
11 by statutes in the 1920's pursuant to which the easements were
12 issued at a total rental of \$50.

13 MR. CHAMPION: It will help. I don't know that it
14 will be significant.

15 MR. HORTIG: Percentagewise it is better.

16 MR. CHAMPION: Item (k) Santa Catalina ****

17 MR. HORTIG: Mr. Chairman, it is requested that
18 item (k) be deferred, to be rechecked at the request of the
19 applicant.

20 MR. CHAMPION: Do you think we might get an
21 increase?

22 MR. HORTIG: I don't know which way it will go.

23 GOV. ANDERSON: I move them, with the exception of
24 (a), (j) and (k), I guess. We have already taken care of
25 those.

26 MR. HURLEY: Second.

1 MR. CHAMPION: (To gentleman in audience) Is
2 this on one of the items in question?

3 MR. JOSEPH: Yes, sir.

4 MR. CHAMPION: Which item?

5 MR. JOSEPH: Item (d). I am representing the
6 Department of Fish and Game, and we would like more informa-
7 tion if we can get it.

8 MR. CHAMPION: All right. Will you step forward
9 for a moment? Item (d)?

10 MR. HORTIG: This is American Metal Climax, Inc.

11 MR. CHAMPION: All right. Would you identify
12 yourself for the record?

13 MR. JOSEPH: Yes. I am David Joseph, Department
14 of Fish and Game. We here in Sacramento have been unable
15 to find out whether this particular proposed operation will
16 entail a waste discharge that could enter the Salton Sea; and
17 I am wondering if there is anybody here that could tell us.
18 One other question we have: Is this, in fact, a request for
19 the production of steam, or is this to be a waste-receiving
20 well? Now, we have heard two stories.

21 MR. CHAMPION: This is a prospecting permit at
22 the moment.

23 MR. HORTIG: And it is a prospecting permit for
24 the successors in interest to the same group who have pre-
25 viously been operating on the other prospecting permits in
26 Imperial County for geothermal steam. This is all part of

1 a composite package, subject to the same limitations with
2 respect to waste disposal, pollution control, et cetera, as
3 all the prior prospecting permits that have been issued by
4 the State Lands Commission.

5 This particular parcel is actually one under which
6 there was a prospecting permit which expired and this is simply
7 a new application to continue prospecting under the same con-
8 trols and conditions, on a parcel on which there was a prior
9 prospecting permit, with controls and conditions satisfactory
10 to the State Water Pollution Control Board and to Fish and
11 Game.

12 MR. JOSEPH: I am to understand that this would
13 be the same sort of well as has been previously drilled?

14 MR. HORTIG: That is correct.

15 MR. JOSEPH: Now, one other question: If this
16 well were to be simply a receptacle for waste from other
17 wells, would the same conditions of the State Lands Commission
18 apply?

19 MR. HORTIG: This permit would not authorize this
20 well to be a receptacle for waste from other wells. What is
21 authorized is prospecting for geothermal steam wells only.

22 MR. JOSEPH: And that alone?

23 MR. HORTIG: That alone,

24 GOV. ANDERSON: It's just a prospecting permit.

25 MR. JOSEPH: I understand.

26 MR. CHAMPION: Is there any further question or

1 comment? (No response) It has been moved and seconded that
2 we approve the items, and without further objection they
3 will stand approved.

4 4. City of Long Beach -- Approvals required pur-
5 suant to Chapter 29/1956; (a) Authorization for Executive
6 Officer to certify approval of "Third Agreement Amending Con-
7 tract for Sale of Natural Gas," between the Board of Harbor
8 Commissioners of the City of Long Beach, as First Party; the
9 Superior Oil Company and Humble Oil & Refining Company, as
10 Second Parties; and Lomita Gasoline Company, as Third Party.

11 (b) Prior approval to expenditure of not to
12 exceed \$30,800, by City of Long Beach from its share of
13 tideland oil revenue, for the purchase of a heavy-duty
14 track-laying tractor for use in the operation and maintenance
15 of Long Beach tideland beach areas, being 88% of total esti-
16 mated cost of \$35,000.

17 Is there any comment?

18 MR. HORTIG: Are there any questions?

19 MR. CHAMPION: I assume that 88% as being the
20 percentage of the use of the tractor involved

21 MR. HORTIG: The estimated percentage of the use
22 of the tractor on tidelands beaches versus upland beaches.

23 GOV. ANDERSON: This one on the sale of natural
24 gas -- this is new?

25 MR. HORTIG: No, sir. This is one of a series
26 which the Commission has had before it, and will have more of,

1 in view of the fact that these gas processing contracts were
2 entered into prior to the time that unit agreements were entered
3 into for fault blocks. As a fault block is finally consummated,
4 the original sales and processing contracts must be revised to
5 be compatible, and this is to reorganize the bookkeeping.

6 GOV. ANDERSON: Move.

7 MR. HURLEY: Second.

8 MR. CHAMPION: Moved and seconded, without objection
9 the items are approved.

10 5 -- Selection and sale of vacant Federal land:

11 (a) Suzannah S. Neighbour, appraised value \$4,425, bid \$4,425;

12 (b) Hugh M. Neighbour, appraised value \$5,419.80, bid \$5,419.80.

13 MR. HORTIG: As to the second item, Mr. Chairman,
14 if I can direct the Commissioners' attention to the photographs
15 on the second sheet following page 29 of the agenda, in the
16 upper left there is a photograph referring to the applicant's
17 home. This was intended by the appraiser to show what the area
18 off the land applied for looked like. The parcel that is ap-
19 plied for adjoins the area on which the applicant's home is
20 located and the applicant's home is not located on the land
21 that is sought on this application. The land that is sought,
22 and the quality of it, is shown in the other three photographs.
23 The citrus grove referred to in the second photograph is again
24 on the applicant's fee-owned land to the north, adjoining the
25 State parcel sought.

26 MR. CHAMPION: In what area are they?

1 MR. HORTIG: Approximately five miles from Blythe,
2 northwest of Blythe.

3 GOV. ANDERSON: I'll move it.

4 MR. HURLEY: Second.

5 MR. CHAMPION: There being no further comments, it
6 will stand approved.

7 6 -- Selection on behalf of the State of 198.11
8 acres Federal land, San Bernardino County; authorization to
9 cancel application of Minnie Eldora Brewer and to refund
10 deposits less expenses incurred to date of cancellation.

11 GOV. ANDERSON: What was the reason for this?

12 MR. HORTIG: The applicant did not desire to pay
13 the appraised value of the land after it was received.

14 GOV. ANDERSON: The appraised value was more than
15 they originally felt it would be?

16 MR. HORTIG: That's right. I might note, on the
17 two preceding selections and sales of Federal lands that the
18 Commission has already approved -- and this is not by way of
19 being critical, but simply to show that these transactions do
20 take time -- the last two were the results of approval by the
21 Federal Government after a period of eight years after received
22 from the applicant.

23 GOV. ANDERSON: On this one here we are talking
24 about, when they started this there was at that time some set
25 price, estimated price of \$5?

26 MR. HORTIG: No; there was a minimum deposit of \$5,

1 but they were to pay the appraised value of the land whenever
2 the parcel was received.

3 GOV. ANDERSON: That wasn't what it was worth at
4 that time?

5 MR. HORTIG: There have been sales as far back as
6 that at that price, and this could very well have been the
7 thought of the applicant.

8 GOV. ANDERSON: When was that application received?

9 MR. HORTIG: This may well have been eight years
10 ago. The original application was made on April 1, 1954 and
11 was approved by the Bureau of Land Management on August 22,
12 1962, and only then could the State start the appraisal.

13 GOV. ANDERSON: Does it tell there that that was
14 the appraised value or the estimated value at that time?

15 MR. HORTIG: No, sir. That is simply the offer of
16 the applicant at the time. There are no appraisals made until
17 the State actually has title on the land.

18 GOV. ANDERSON: I know it isn't affirmed until we
19 get all through.

20 MR. HORTIG: That is correct.

21 MR. CHAMPION: What is the pleasure of the Commis-
22 sion on that item?

23 GOV. ANDERSON: I'll move it.

24 MR. HURLEY: Second.

25 MR. CHAMPION: It will stand approved.

26 7 -- Approval of amended description of original

1 field notes of Tideland Survey 48, Bolinas Bay, Marin County,
2 decreasing area from 7 acres to 3.28 acres; and authorization
3 for issuance of a patent in the name of the original applicant,
4 Henry Hutton, upon compliance with applicable statutes.

5 MR. HORTIG: The original statutory authority for
6 the sale of tidelands provided for sale of lands on application
7 between high water mark and low water mark. At the time there
8 was authority to sell in the 1870's, there had not been any
9 judicial determinations in California as to how you identified
10 a high water mark or a low water mark, so the pictures surveyors
11 drew at that time for applications did not always necessarily
12 coincide with the lands that should have actually been conveyed.

13 Also, the lands were sold on a certificate of pur-
14 chase, following payment for which the applicant was entitled
15 to a State patent. In a few instances State patents were not
16 sought and in later conveyances of the land the title company
17 insists, before insuring this conveyance, that the patent be
18 purchased -- even at this late date.

19 This is one of these instances and a corrected sur-
20 vey description of the amount of area conveyed between the
21 high and low water mark is 3.28 acres, rather than the seven
22 acres that were described originally. This is satisfactory to
23 the applicant and it is necessary to get this corrected descrip-
24 tion and approval and purchase of patent, in order that he can
25 get the title insurance on the property, of which he is the
26 successor in interest.

1 MR. HURLEY: Who is the applicant?

2 MR. CHAMPION: Henry Hutton.

3 MR. HURLEY: Not the Henry Hutton of 1865.

4 MR. HORTIG: Eugene Snow, the successor in interest.

5 On Page 31 -- Eugene Snow, successor in interest to the original
6 applicant, who has applied for issuance of the patent. He has
7 a complete chain of title down from Henry Hutton.

8 GOV. ANDERSON: I'll move it.

9 MR. HURLEY: Second.

10 MR. CHAMPION: It will stand approved.

11 8. -- Pursuant to provision of Sec. 7052 of the
12 Public Resources Code, exemption from competitive public bidding
13 procedures required for oil and gas leases under Sections 7052
14 and 7053 of the Public Resources Code, pursuant to application
15 by Board of Education of the Downey Unified School District,
16 Los Angeles County, in order to secure practical reservoir
17 development of a part of the Gallatin School site.

18 MR. HORTIG: Political subdivisions of the State of
19 California may lease their lands only for oil and gas pursuant
20 to competitive public bidding, unless the State Lands Commission
21 in its discretion exempts particular leases or operating agree-
22 ments from the procedure required, that is, competitive public
23 bidding (I am now paraphrasing Section 7052, Public Resources
24 Code) where, by reason of small size of the property or drain-
25 age from offset wells, such procedure would in the judgment of
26 the State Lands Commission in the particular case be impracticable.

1 The area proposed to be leased, and on which obviously no
 2 public bids could be secured, but which can be negotiated into
 3 an adjoining lease, consists of a strip of land one foot wide
 4 and one hundred eighty feet long. It is felt that this is an
 5 ideal example for using discretion in exempting from competi-
 6 tive public bidding.

7 MR. CHAMPION: Is there any objection?

8 GOV. ANDERSON: Approved.

9 MR. HURLEY: Second.

10 MR. CHAMPION: It will stand approved. 9. ---

11 Authorization for Executive Officer to approve amendment of
 12 Paragraphs VII and VIII of Unit Agreement dated June 10, 1958,
 13 between the Dow Chemical Company, et al., to clarify the
 14 effective and due date of payment of shut-in royalty when gas
 15 is not being sold from the unitized area of Gas Leases P.R.C.
 16 714.1 and P.R.C. 729.1, Sacramento County, pursuant to applica-
 17 tion from Brazos Oil and Gas Company on behalf of the Dow
 18 Chemical Company and Visterio Corporation.

19 MR. HORTIG: There is in existence in the river
 20 island field easterly of Rio Vista, California, a unit opera-
 21 tion for the production of gas, in which the State-owned lands ---
 22 which are in the water bottoms, principally, of the Sacramento
 23 River and the Mokelumne River -- are included in the unit opera-
 24 tion or held under leases originally issued to Brazos Oil and
 25 Gas and subsequently assigned to the other parties in interest
 26 as reflected in the calendar item.

1 Under the original unit agreement there is a serious
2 question that if there are times when gas is not marketed due
3 to lack of market or lack of quantity to interest a purchaser,
4 that this might automatically terminate the leases in the unit
5 agreement; and the participants to the unit agreement have pre-
6 pared an amendment which they have offered, and which the
7 staff recommends, that they be permitted to pay a shut-in
8 royalty -- that is, they will pay a royalty equal to one-twelfth
9 of \$5 per acre on a number of acres within the tract as a
10 royalty in lieu of production royalty any time they are shut
11 in, rather than lose their lease and have the leases terminated.
12 This will carry them over until either the market develops or
13 they can develop sufficient production so they can realize
14 full market value from the gas production.

15 MR. CHAMPION: Any question on this?

16 GOV. ANDERSON: Move it.

17 MR. HURLEY: Second.

18 MR. CHAMPION: It will stand approved. 10. --

19 Acceptance of highest qualified bid and approval for issuance
20 of an oil and gas lease to Union Oil Company of California for
21 2,113 acres tide and submerged lands, Orange County, designated
22 as Parcel 14.

23 MR. HORTIG: For which the high bid offer was
24 \$6,110,000 from the Union Oil Company of California and award
25 of the lease is recommended. The lease has been reviewed as
26 to technical compliance, legal compliance, by the Office of the

1 Attorney General, and as to adequacy by the staff of the
2 Lands Division.

3 GOV. ANDERSON: How was the access arranged to
4 bring this oil in?

5 MR. HORTIG: There is no access arranged.

6 GOV. ANDERSON: How will they bring it in?

7 MR. HORTIG: By submarine pipeline back to the shore
8 when there is a development of that Parcel 14; just like the
9 earlier flow-line easements approved earlier on the calendar
10 today, the operator actually goes across adjoining lands of
11 the Signal leases which intervene between Parcel 14 and the
12 shore. We have a reservation to the Lands Commission to issue
13 other crossings not incompatible to their other uses.

14 GOV. ANDERSON: I move it.

15 MR. HURLEY: Second.

16 MR. CHAMPION: It will stand approved. ll. --

17 Confirmation of transactions consummated by the Executive
18 Officer pursuant to authority confirmed by the Commission at
19 its meeting on October 5, 1959.

20 MR. HORTIG: Consisting of two extensions of the
21 period of an existing geological survey and geophysical explora-
22 tion survey permit.

23 MR. HURLEY: I'll move it.

24 GOV. ANDERSON: Second.

25 MR. CHAMPION: It will stand approved. Report on
26 status of major litigation -- Is there any further activity

1 that should be reported?

2 MR. HORTIG: No, sir -- only to bring to the
3 attention of the Commission that there is a firm pretrial
4 date now with respect to the subject matter of boundary
5 determination on a tide and submerged lands grant in Long
6 Beach, which has now been set for September 10, 1963.

7 MR. CHAMPION: What is the situation now on the
8 Long Beach Unit at Wilmington Oil Field?

9 MR. HORTIG: As to the Long Beach Unit, Mr. Chair-
10 man, you will recall the Commission, at the meeting in June,
11 on June 27th, adopted a directive setting out a series of
12 principles that should be put into any contracts for develop-
13 ment of the Long Beach Unit area. Report on these principles
14 and the action of the Commission was presented by representa-
15 tives of the City of Long Beach to the Long Beach City Council
16 on, I believe, the 2nd of July. This was, I believe, the
17 Tuesday following the Lands Commission meeting on Thursday.
18 The City Council received the report of their representatives
19 and referred it to the Oil Committee of the Long Beach City
20 Council, and we are not aware that the Oil Committee has con-
21 sidered it. They have definitely not reported back to the
22 City Council with respect to the proposals and recommendations
23 by the State Lands Commission.

24 In the interim, as far as the staff of the State
25 Lands Division and the Attorney General are concerned, in
26 accordance with the Commission's directive -- I'll read a

1 letter for the record, which you gentlemen have received from
2 the Office of the Attorney General:

3 "Pursuant to your instructions, our office (this
4 is dated July 23rd) has taken every step possible
5 to assure that there will be no unnecessary delays
6 in the formulation and approval of agreements re-
7 lating to the Long Beach Unit, once the necessary
8 policy decisions have been made by both the Long
9 Beach City Council and the Commission.

10 "To this end we have finished a first draft of a
11 complete revision of the Field Contractor Agreement
12 which incorporates the substantive changes sug-
13 gested by the Commission at its June 27, 1963 meeting.
14 This draft also attempts to meet some of the
15 industry objections to the former Field Contractor
16 Agreement which we felt to have some legitimate
17 basis. Although further revisions in this draft
18 will undoubtedly be necessary or desirable, we
19 wish to let you know that such a draft is in exist-
20 ence and will be ready for submission to the City
21 of Long Beach at any time the presently pending
22 policy decisions are finalized."

23 (Parenthetically, I wish to insert that this has also been
24 reviewed by the staff of the State Lands Commission.)

25 "If you should desire a copy of this draft, please
26 let us know and one will be forwarded to you
immediately."

27 (Such copies are in the files of the State Lands Division,
28 again parenthetically.)

29 "In addition, we have, with the approval of the
30 Executive Officer, taken steps to reconvene the
31 Long Beach Unit Legal Committee for the purpose of
32 considering the desirability of certain changes in
33 language designed to eliminate possible misunder-
34 standings as to the meaning and effect of the
35 present documentation. Although further meetings
36 of the Legal Committee will be necessary to make
37 the unitization agreements consistent with any
38 revisions of the Field Contractor Agreement, it
39 was our belief that the Committee could utilize
40 this period while major policy matters are still
41 under consideration to consider changes of a non-
42 controversial nature. A copy of our letter to the

1 "members of the Long Beach Unit Legal Committee,
2 incorporating our own suggestions as to desirable
3 clarifications, has been forwarded to you under
4 separate cover.

5 "We have asked the Executive Officer to let us
6 know if there are any other ways in which we can
7 help assure that there will be no unnecessary delay
8 concerning these matters."

9 MR. CHAMPION: I am hesitant to consult the Commis-
10 sion on this subject, to proceed with approving a draft accord-
11 ing to the principles such as we authorized at the last meet-
12 ing, without having comment from Long Beach; and I'd like to
13 hear from the Long Beach representatives as to what the current
14 status of their consideration of this is.

15 MR. LINGLE: I am Harold Lingle, Deputy City
16 Attorney from Long Beach. I am here in the absence -- you
17 gentlemen probably know that my boss has had major surgery
18 and I don't expect that he will be back in the office for a
19 matter of some weeks.

20 In partial explanation of what has been going on,
21 we have had -- not a new City Council, but the Council has
22 been reseated and our Oil Committee has been partially recon-
23 stituted, the Oil Committee of the Council since the time of
24 your last hearing; and they have not yet considered the sug-
25 gestions that were made by the Commission.

26 In the meantime, we have been working -- the
Lieutenant Governor pointed out to us last time -- we are
still dreadfully concerned about our problem of the other
contract, which must go out on March 20th next year. I don't

1 know whether Frank got it, knowing that he drove up, but we
2 have delivered to the staff what we would describe as working
3 documents, a first draft -- which obviously needs your con-
4 sideration and needs your suggestions; and primarily because
5 of your suggestion that you gentlemen would like to know what
6 our thinking on these was at the earliest possible date, we
7 have gone forward with a drilling and operating contract for
8 the Long Beach Harbor tidelands parcel. They have been ap-
9 proved in principle by the Board of Harbor Commissioners,
10 approved in principle by the City Council.

11 One provision that our Office of the City Attorney
12 was told to prepare, which we did not because we wanted to
13 get it to you as soon as possible, was the suggestion that
14 one-eighth of the oil be made available to the small refiners.

15 Copies have not been distributed, but copies are
16 now available from the Petroleum Department of the Long Beach
17 Harbor Department.

18 So that brings us back, in summary: We have a new
19 Oil Committee; because we have a new Oil Committee I have
20 nothing to report from that Oil Committee on your suggestions.
21 The staffs have been studying your suggestions and I assume
22 you will get the feeling from Long Beach on your suggestions
23 as promptly as we can get them to you. We have no desire to
24 drag our feet.

25 I am aware of Mr. Shavelson's comments on the Unit
26 Agreement. He has consulted me personally and knows what we

1 think is meritorious. Obviously, nobody in Long Beach knows
2 what is in the Attorney General's suggestion concerning the
3 Field Contractor Agreement.

4 MR. CHAMPION: To take these things up serially,
5 the first question: As I understand it, the staff is in re-
6 ceipt of your draft. I discussed the matter with Mr. Hortig
7 and they have had no chance to review it at all but we will
8 proceed to do so; and I have asked Mr. Hortig, subject to con-
9 sultation with the other members of the Commission, that if
10 there is a major question or something that needs early Com-
11 mission attention in order to get this thing disposed of ex-
12 peditiously, if there is a major question where some consulta-
13 tion is needed, I will consult with the other members of the
14 Commission on a special meeting. At any time we can get that
15 thing moving faster, we will be cooperative.

16 MR. LINGLE: You have been.

17 MR. CHAMPION: On the other question, would it be
18 helpful to Long Beach if the Commission were to direct Mr.
19 Shavelson to forward the draft to you of the new Field Con-
20 tractor Agreement and report back to us a reaction to it at
21 the next meeting?

22 MR. LINGLE: Certainly, if we had it in detail it
23 would be far better than having - - - Yes, is the short answer.

24 MR. CHAMPION: What is the staff's feeling?

25 MR. HORTIG: I would concur in that recommendation.

26 MR. CHAMPION: What is the feeling of the Commission?

1 GOV. ANDERSON: Fine.

2 MR. CHAMPION: All right. That will be the order.
3 We will instruct Mr. Shavelson to immediately forward this.
4 This does not give our final approval of this draft.

5 MR. LINGLE: I understand that.

6 MR. CHAMPION: It is another sort of arrangement
7 such as you have on the draft on the L.B.O.D. thing, so it
8 is before you and we can get your comments as soon as possible.

9 MR. LINGLE: I'd like to file these. They are
10 three more copies of the new Harbor parcel contract for the
11 Commissioners individually. Shall I file them with Mrs. Stahl?

12 MR. HORTIG: Right.

13 GOV. ANDERSON: You mentioned the Council Committee
14 had a little change. There isn't any significant change,
15 enough so that we can expect any significant change in policy?
16 In other words, the present administrative policy we can
17 expect to continue along?

18 MR. LINGLE: Lieutenant Governor, you have me
19 talking for other people. Obviously, if I worked for you,
20 you wouldn't want me committing you. Personally, I wouldn't
21 think so. It is substantially the same committee. I am not
22 sure -- either one or two of the five are new councilmen and
23 I know in particular of a new councilman.

24 GOV. ANDERSON: That's what I understood. I thought
25 we could carry on, assuming there would be no delay in this.

26 MR. LINGLE: I would hope not.

1 GOV. ANDERSON: How is cooperation between your
2 staff and their staff in keeping up on that level?

3 MR. HORTIG: Staffwise, it is excellent. We have
4 a problem from the standpoint of total policy implementation
5 that Mr. Lingle pointed out, with respect to the Long Beach
6 Unit. Until the Oil Committee reports to the Council and the
7 Council adopts something in principle, we are not at a stand-
8 still but we are working concurrently on only that level that
9 we can work on at staff level.

10 With respect to the L.B.O.D. contracts, we now
11 have at least the City's position in principle since Tuesday
12 afternoon and this we now have under review as to technical
13 and economic features in the State Lands Division, and the
14 Attorney General's Office is reviewing it as to legal feasi-
15 bility -- although it is forecast there will be necessary
16 changes in that document, even by Long Beach.

17 GOV. ANDERSON: Aside from that, there is a free
18 and easy arrangement between your staff and their staff --
19 there is no withholding of information or anything?

20 MR. HORTIG: To my knowledge the answer to your first
21 question is "yes."

22 MR. LINGLE: I concur. As I stated, I have been
23 in conference with the Attorney General on some of his sugges-
24 tions on the Field Contractor Agreement. From the letter, I
25 am sure he is working on the staff position for you; but on
26 things he wanted to talk to us about and was able to, I have

1 had conferences with him in his office. We are certainly
2 cooperating.

3 MR. CHAMPION: Mr. Lingle, so we are clear, when
4 this draft is presented to you of the Field Contractor's
5 Agreement, then really we must consider that we couldn't
6 take further action on this matter until we have some comment
7 from Long Beach. It is really understood that any further
8 action depends on the City of Long Beach.

9 MR. LINGLE: You are telling me the monkey is on
10 our back.

11 MR. CHAMPION: I think that is a fair statement,
12 although I don't think it is a monkey. I just want it under-
13 stood that we are anxious to proceed, that we are ready to
14 proceed, but that we really feel that Long Beach ought to
15 give us some indication of its feelings before we can.

16 MR. LINGLE: I'll report that.

17 MR. CHAMPION: And Long Beach would properly be
18 entitled to outrage if we were not prepared to wait for its
19 comments.

20 MR. LINGLE: Excuse me, I didn't hear that.

21 MR. CHAMPION: Long Beach would properly be en-
22 titled to outrage if we were not prepared to wait for its
23 comments.

24 Is there any further question on the Long Beach
25 matters? I think that concludes the business before us.

26 MR. HORTIG: No, sir. There is a supplemental

1 agenda item, page 56, at the very end of the agenda you
2 gentlemen have before you today, and we had to bring this in
3 at the last moment.

4 In short form, if you gentlemen will refer to the
5 second map following page 56, dredging operations were author-
6 ized by permit to Associated Contractors in the Salt Works
7 Canal in Richardson Bay as early as 1961 by the State Lands
8 Commission; and toward the upper left, there is a small cross-
9 hatched area in the canal, there is a number "336" which
10 appears right alongside this little section. If I may point
11 to it, that small section of the canal which was not authorized
12 back in 1961 to be dredged now turns out to be too shallow to
13 permit public navigation to Richardson Bay. The project is
14 pretty well nearing, if not completion, at least public
15 dedication stage, and in order to get boats up and down the
16 entire canal, in effect an extension of the prior permit will
17 be required.

18 The material which will be removed, which is a
19 limited amount on the order of about 18,000 yards, is not
20 good fill material -- it is just plain mud.

21 The original permit authorized royalty of three
22 cents a cubic yard and in the interest of improving naviga-
23 tion, indeed to make it possible at all, it is recommended
24 that the Commission authorize this limited extension to the
25 original permit in order to make the canal workable. The
26 contractor felt he was going to have serious troubles if he

1 did not have this permit before the next Lands Commission
2 meeting, therefore we made this supplemental item. It is
3 unique and out of order, but necessary for this project.

4 MR. CHAMPION: What is your pleasure?

5 GOV. ANDERSON: There wouldn't be any opposition
6 to this?

7 MR. HORTIG: No, sir.

8 GOV. ANDERSON: In other words, the local agencies
9 are aware of it?

10 MR. HORTIG: As a matter of fact, they never
11 anticipated having to dredge this particular part of the canal
12 area, but when they got down this far on the Project they
13 discovered it doesn't have as much water they thought it would
14 have, so they are going to have to dredge it to make it
15 practical.

16 GOV. ANDERSON: I'll move it.

17 MR. HURLEY: Second.

18 MR. CHAMPION: It will stand approved. The
19 date, time and place of the next Commission meeting --
20 Thursday, August 29, at ten o'clock in Los Angeles.

21 MR. HORTIG: We have a problem there, Mr. Chairman.
22 The Lieutenant Governor finds that his schedule will necessi-
23 tate that he be in Sacramento on that day. This is another
24 period where I believe it will be "Governor Anderson" -- not
25 "Lieutenant Governor;" and the same date and time would be
26 feasible if the meeting could be shifted to Sacramento

1 rather than Los Angeles.

2 MR. CHAMPION: I am more than happy to agree.

3 MR. HURLEY: I am sure I think it is probably
4 all right with Alan, but I don't have his complete calendar
5 here.

6 GOV. ANDERSON: When does he expect to return?

7 MR. HURLEY: He expects to be at this meeting in
8 Los Angeles. I imagine he will be here in Sacramento

9 MR. CHAMPION: Let's tentatively set it for
10 Sacramento. We can make other arrangements if necessary.

11 GOV. ANDERSON: So move.

12 MR. CHAMPION: Thank you very much. Meeting
13 adjourned.

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ADJOURNED 11:37 A.M.

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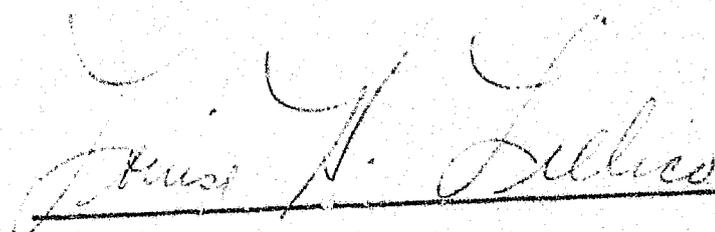
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CERTIFICATE OF REPORTER

1
2
3 I, LOUISE H. LILLICO, reporter for the Office of
4 Administrative Procedure, hereby certify that the foregoing
5 forty-five pages contain a full, true and correct transcript
6 of the shorthand notes taken by me in the meeting of the
7 STATE LANDS COMMISSION held at Sacramento, California, on
8 July 25, 1963.

9 Dated: Los Angeles, California, August 5, 1963.

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