TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
Sacramento, California
August 29, 1963

PARTICIPANTS:

THE COMMISSION:
Hon. Hale Champion, Director of Finance, Chairman
Hon. Glenn M. Anderson, Lieutenant Governor
Hon. Alan Cranston, Controller
Mr. F. J. Hortig, Executive Officer
Mr. Alan Sieroty, Executive Secretary to
Lieutenant Governor Anderson

STATE LANDS DIVISION:
Mr. Kenneth C. Smith, Public Lands Officer

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

APPEARANCE:
Mr. Harold A. Lingle
Deputy City Attorney, City of Long Beach
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MR. CHAMPION: We will call the meeting to order.

I am sorry about the delay, but we took up the last item on the calendar first. We are trying to get a date for September. I hope by the end of the meeting we will have one.

Next order of business is confirmation of minutes of meetings of May 23, 1963 and June 27, 1963.

MR. CRANSTON: I move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: They will stand approved. Item 3 -- Permits, easements, and rights-of-way to be granted to public and other agencies at no fee:

Applicant (a) American Smelting and Refining Company -- Permit to dredge approximately 15,000 cubic yards of material from tide and submerged lands, Carquinez Strait in Contra Costa County, to provide sufficient depth of water to accommodate ocean-going vessels.

(b) San Diego Gas and Electric Company -- Permit to extract additional 63,000 cubic yards of material from tide and submerged lands, San Diego Bay, San Diego County -- for construction of a dike; material to be deposited on adjacent tide and submerged lands within the grant to the City of Chula Vista;

(c) California State Department of Fish and Game -- 49-year life-of-structure permit, 31 acres submerged lands of Sacramento River, Glenn County, for construction and use of an angling access area,
MR. CRANSTON: I move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: They will stand approved.

Item 4 -- Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission:

(a) Boy Scouts of America -- Five-year minor structure permit, 0.7 acre sovereign land of Sacramento River, Yolo County, for floating pier and walkway, total rental $25;

(b) Crown Mining Co., Inc. -- Termination of mineral extraction lease P.R.C. 2495.2, 160 acres school lands, Imperial County, effective August 29, 1963; no market for grade of ore being produced.

MR. HORTIG: Mr. Chairman, if I may amplify at that point, this lease is delinquent in one year's rental payment in the amount of $160 up to the time of the proposed acceptance of this termination. However, it has been determined that one of the reasons for offering of the quitclaim of the lease by the lessee is the fact that he has suffered financial reverses, he has been ill, he has been in the hospital, and it is felt that the $160 would not be recoverable. In order to get it off the books of the Commission, if the lease is so terminated an application would be made to the Board of Control for rescission of that charge.

MR. SHAVELSON: Excuse me. As I understand this, his request to make it effective as of November 17th was denied.
and you are making it effective as of August 29th; so, therefore, the amount will remain outstanding on the books. Is that correct?

MR. HORTIG: Yes.

MR. CHAMPION: Subject to appeal to the Board of Control, and this just states the basis for that.

MR. HORTIG: Yes.

MR. CHAMPION: (c) R. W. Kelsey -- Five-year agricultural lease, 320 acres school land Inyo County, annual rental $112; land marginal for agricultural purposes, applicant owns and leases other lands in the immediate vicinity.

(d) Kimberly-Clark Corporation -- 15-year easement, 2.04 acres sovereign land, Sacramento River, Shasta County, for an outfall line to carry waste products from paper plant; annual rental $150.

GOV. ANDERSON: On something like this, all checking is done pertaining to any pollution?

MR. HORTIG: Yes, sir. Both the District Water Pollution Control Board and the Department of Fish and Game have reviewed this particular proposed operation and have approved its conduct. By issuance of this easement, the Lands Commission is merely providing the site for the location of the pipe which will be operated in accordance with the other approvals.

MR. CHAMPION: This is all worked out before they ever locate that pipe?
MR. HORTIG: Right.

MR. CHAMPION: (e) Robert E. Lunsford -- one-year grazing lease, 640 acres school land Colusa County, annual rental $32; (f) James A. Noble -- Two two-year prospecting permits for minerals other than oil and gas, San Bernardino County, at standard royalty rates: (1) 79.22 acres, (2) 72.77 acres;

(g) Pacific Gas and Electric Company -- 49-year gas-line easement, 0.053 acre sovereign lands, Sacramento River, Colusa and Sutter counties; total rental $220,71;

(h) Pacific Telephone and Telegraph Company -- Termination of Lease P.R.C. 253.2, ten acres school lands Inyo County, effective June 26, 1963, and authorization for Executive Officer to accept a quitclaim deed. Company has no further use for property.

(i) Texaco Inc. -- Deferment of drilling requirements, Oil & Gas Lease P.R.C. 2206.1, Santa Barbara County, through April 2, 1964. Time needed to review and analyze results of geophysical survey being conducted currently,

GOV. ANDERSON: How many deferments have there been on this particular lease?

MR. HORTIG: There have been, I believe, four previous deferments, Governor, although the lessee has fully complied with the drilling requirements and, indeed, as has been the case with this entire series of leases issued in 1958, all lessees proceeded drilling with a more diligent
schedule than was required by their respective leases.

There are now additional data that must be evaluated as to economical feasibility for any additional locations and the critical necessity for evaluating these data is reflected by (as well as support for the fact that there is diligence in operation under this lease which is incumbent on the lessee because of the lease terms which require it) the fact that in this instance their prior cash bonus payment of $23,711,000 and additional expense of $8,000,000 that have been involved in the development, with a total cash investment of over $31,000,000, is certainly the impetus to plan the most effective development plan that can be developed if they are to recoup their investment.

Therefore, it is felt equitable to grant this extension at this time, despite prior extensions, for review of this data in order to engineer the best future development program.

Incidentally, the lease is also paying royalty currently on eight producing wells.

MR. CHAMPION: Are there any further questions?

GOV. ANDERSON: No.

MR. CHAMPION: (j) Standard Oil Company of California, Western Operations, Inc. -- Deferment of drilling requirements, Oil & Gas Lease P.R.C. 2199.1, Santa Barbara County, through April 4, 1964. Time needed to complete reservoir evaluation program.
MR. HORTIG: The situations here, Governor Anderson, are analogous -- although there were only two prior deferments in connection with this lease. Again, cash bonus payment was $12,000,000 for this lease and there has been an additional investment of over $7,420,000, total investment of $20,000,000 to date.

Standard Oil Company of California have authorized the retention of a drilling barge and contracting of a drilling barge, and additional development of this general area as soon as such barge can be available, and will contemplate using the barge first on this area for drilling additional wells.

Similarly, there are currently operating four wells on the lease and total royalties during the life of the lease have been paid in excess of a million dollars and continue to be paid on a current basis.

MR. CHAMPION: (k) Cathern Tussey -- Amendment of Lease P.R.C. 2363.1, San Joaquin County, to show name of Cathern Tussey as survivor to R. A. Tussey.

MR. CRANSTON: I move them.

GOV. ANDERSON: Second the motion.

MR. CHAMPION: They will stand approved.

Item 5 -- City of Long Beach approvals required pursuant to Chapter 29, 1956, First Extraordinary Session:

(a) Roads and Streets, Pico Avenue Gas Main, Second Phase -- Estimated subproject expenditures from August 29, 1963
to termination of $161,000, with $135,240 (84%) estimated as subsidence costs;

(b) Back Areas, Piers A-D, Pico Avenue Water Main, El Embarcadero to Seaside Boulevard, second phase -- Estimated subproject expenditures from August 29, 1963 to termination of $12,200, with $7,930 (65%) estimated as subsidence costs;

(c) Improvement of Appian Way (Traffic Study) -- Expenditure of not more than $4,691 nor more than 58.64% of actual cost of Appian Way Traffic Survey, whichever is the lesser, from the City's share of tideland oil revenues.

(d) Construction of Sea Scout Base at Long Beach Marina -- Expenditure subsequent to August 29, 1963, of not more than $164,000 from the City's share of tideland oil revenues. Is this based on a previous opinion or previous action of the Commission, this particular item?

MR. HORTIG: The construction of the Sea Scout Base? No, sir. This is pursuant to a current application by the City of Long Beach and in conformance with opinion of the Office of the Attorney General that this expenditure can be authorized subject to conditions which are in the recommendation with respect to, particularly, the necessity that prior to beginning of construction a lease between the City and Sea Scouts for the operation of the building be submitted to the Commission for approval -- said lease to qualify and to restrict the operation of the building for trust uses and purposes; that the work conform in essential details to the
plans and background material heretofore submitted to the Commission, based on the requirements as specified by the Office of the Attorney General -- that the lease not be restrictive and unique to the Sea Scouts, that the area be available for the training in seamanship and related skills which the facility would be available for for all young people and without respect to actual membership in the Sea Scouts.

This has been indicated by the administrators of the Sea Scout group, to whom the property would be leased in the first instance, as being a condition acceptable to them.

MR. SIEROTY: Mr. Chairman, I asked Mr. Hortig on this item two questions, and they were whether there was a policy of nondiscrimination by the Sea Scouts and whether there were memberships open in the Sea Scouts at the present time. In attempting to get an answer to these questions, he found that the administrators are not currently available, but I see Mr. Lingle here and I note in Mr. Lingle's letter perhaps the answer to the questions and he may want to expand upon it. His letter of May 17th states:

"We have inquired of the Sea Scouts relative to their requirements for admission and there is none other than age. Thus, any boy under the age of eighteen is eligible for membership in the Sea Scouts."

I wonder, Mr. Lingle, if you want to amplify on that?

MR. LINGLE: Well, no. For the record, I am Harold
A. Lingle, Deputy City Attorney of the City of Long Beach.

I had been asked the question and I asked the Sea Scouts and determined their policy is that any boy who wants to become a Sea Scout may become a Sea Scout.

Similarly, I have had discussions with the Office of the Attorney General as to the restrictions that would be placed in the lease, which are as reported here, and I personally asked the Sea Scouts — told them that if they wanted the building, these obviously were going to be restrictions that were going to have to be in the lease — and I was told that was very satisfactory with them.

MR. SIEROTY: Do you know whether there are memberships currently available in the Sea Scouts, what their condition is as to membership?

MR. LINGLE: No, I don't. I sure don't have any idea that they are keeping anybody out of the Sea Scouts. I have no fear but what their membership is open, but I do not know if there are any memberships available.

MR. SIEROTY: Let me clarify, Mr. Chairman, I have no information either that the Sea Scouts in any way discriminate. I am just asking this as a matter of information.

MR. LINGLE: I suppose I could find out. I might find out before this meeting adjourns. I hadn't thought about asking, hadn't been asked to find out, but think I know where to find out.

MR. HORTIG: I might point out to Mr. Lingle if it
is either the principal administrator, for lack of better
title, of the group who would be involved, or his assistant,
the principal as of yesterday was in Canada and his assistant
is away, so if these were to be the source...

Mr. LINGLE: Mr. Harold Arnold, is that the
administrator?

MR. HORTIG: Right.

MR. LINGLE: Then you are ahead of me.

MR. CHAMPION: I'd like to ask Mr. Shavelson a
question on this, in connection with the trust provisions.
If we approve the lease, aren't we getting ahead of ourselves
in approving this thing in principle and thereby committing
ourselves to it, or do you feel this is only a technical
thing that we can form in some narrow way? Is your reserva-
tion here that this has got to be very carefully done or it
doesn't come within the trust conditions?

MR. SHAPELSON: I would say that the Commission
should only approve this if it believes as a matter of
principle that this project should be carried out, that that
would be a final decision as to that, and that the only thing
left for review would be the specific details of the lease.
Now, one of the things — we have a case, one of the
"People versus Long Beach" cases, which involved the Long
Beach Armed Forces Y.M.C.A. and, frankly, we want to make
this as closely as possible to that. The Supreme Court
upheld the validity of that transaction and I would say
that the only thing remaining after Commission action would be, mainly, our office's appraisal as to the legality of the specific terms of the lease -- which we could not pass on because they are not yet formulated.

MR. CHAMPION: This is a matter of policy. I have some real questions. I will confess that prior to this meeting I haven't given this the kind of attention I would like to give it. Is there any harm done if this goes over a month?

MR. LINGLE: Obviously, I'd like to get it -- I'd like to have your approval in principle; but, in candor, I don't think there would be any harm if it would go over a month so you can study it.

MR. CHAMPION: There are some other questions that have to be answered. It is suggested that we approve it in principle only and I must confess my objection is to principle. I'd like it to go over.

MR. LINGLE: May I say there is no conflict with what the Attorney General wants. There is no problem there; and I assure you, as far as the Sea Scouts are concerned, we are going to build the building.

MR. SIEROTY: Mr. Chairman, may I point out that this Sea Scouts base not only serves Long Beach, but Sea Scouts from all over California use it.

MR. LINGLE: That's right. We have long had Sea Scouts headquarters there, and not only Southern California
but boats that the Sea Scouts put in there from up and down the coast. They aren't just Long Beach boats -- I want to emphasize that. There are Sea Scouts organizations in many other cities in northern California that would use the facility. We are leasing to Sea Scouts in our Harbor and we would like to get them in a better building.

MR. CHAMPION: In whose buildings were they in the past?

MR. LINGLE: Their buildings in the past were sheds and didn't take any financing. They were wooden sheds that were surplus and they are also in an area in the harbor that we can use for more proper and profitable ventures in the harbor.

MR. CHAMPION: I am hoping you are not saying for the City of Long Beach this is not a proper trust purpose, because that is my problem. You say "more proper purpose," Does this mean it is not proper for trust purposes?

MR. LINGLE: Not a bit. I hope I recognize in your smile that you are needling me.

GOV. ANDERSON: You want that put over?

MR. CHAMPION: Yes. That will be the order -- that this go back for further study.

GOV. ANDERSON: Then I'll move items (a) through (c) of 5.

MR. CRANSTON: Second.

MR. CHAMPION: Unanimously approved.
MR. CRANSTON: I'd like to ask the status of the Long Beach Wilmington Oil matter.

MR. LINGLE: Since the last meeting here, we have received a copy of the contract prepared by the Attorney General's Office for review. It has been submitted to the Oil & Gas Committee of our City Council. The City Manager's staff has prepared and delivered to the Oil Committee of the City Council three documents, and I want to leave these copies with you, that might be interesting.

The one is an analysis of the difference between our proposal and the principles that you gentlemen adopted in June; the second -- the Attorney General's draft of the contract had some features which were slightly different from your proposal, and we have analyzed those; and a third document relates to our estimate of what the bonus would cost.

These have been given to our Oil Committee at the same time that Oil Committee has been working on the L.B.O.D contract, but our staff has analyzed these differences and we have submitted them to the Council, and that is the status.

Our analysis was after we got the contracts and these were submitted to the Committee last Tuesday, which was their meeting day, and the Committee indicated they intended, soon after they had time to digest these things, to have recommendations to the City Council.
On our L.B.O.D. parcel -- this may be a misnomer, but anyway the area presently is being operated by L.B.O.D. -- we hope to have a contract approved, not just in principle but the final contract, by our Harbor Board at its meeting today. I didn't get a chance to call them this morning. If they have not met on it today, they hoped to meet Tuesday and then submit it shortly.

MR. CHAMPION: Is that the final action required for the Harbor Board to act, and then it is submitted to us before any other action in Long Beach?

MR. LINGLE: It should also be acted on by the City Council. We hope to have it to you next week.

MR. CRANSTON: We know you can't do it with any certainty, but can you give any time estimate on the Long Beach matter?

MR. LINGLE: No sir, I can't.

MR. HORTIG: Mr. Chairman, I think I should call on the Deputy Attorney General to explain with respect to the posture of the L.B.O.D. replacement. So far as the State Lands Division and the Attorney General's Office are concerned, the documents that may be approved by the Long Beach Harbor Commission today and by the City Council next Tuesday, according to the schedule as just outlined by Mr. Lingle, do not include language in which there is final agreement between the respective staffs as to some very essential features. This could be a vehicle for discussion and presentation to
the Commission at the September meeting, as was suggested, but we will almost certainly then have suggestions for modifications without which the staff would not recommend that the Lands Commission approve this documentation.

MR. CHAMPION: Didn't we really assume in our previous discussions that we had to have some action by the end of September -- October at the latest?

MR. LINGLE: Yes.

MR. HORTIG: This, of course, is the magic in attempting to schedule a September meeting at which the type of documentation would reasonably result in approval being given; bids could be called for in October, received in November, lease awarded in December. If there should be a new lessee, the new lessee has to have some time for indoctrination, in order to have a smooth transition.

MR. CHAMPION: Couldn't we plan, regardless of whether you are completely ready, that the issues involved be laid before the Commission at the meeting, so we can have a chance to discuss them and then, as soon thereafter as we can get to some agreement or understanding, we can call a special meeting to finally dispose of the thing? I think we should plan a discussion of the issues at stake at the meeting early in September.

MR. HORTIG: This would be the staff recommendation. I did want to bring to the attention of the Commission, so that there would be no misunderstanding, that there was not
now a document in existence that could be brought to the Commission for approval without the necessity of discussion.

MR. CHAMPION: If there is no such document at that time, what we will have is comments from the staff as to the status.

MR. SHAVELSON: It will be from Long Beach.

MR. CHAMPION: So there will be certain documentation.

Is there anything further on this matter? (No response)

Thank you.

Item 7 - Federal Land Transactions: (a) Selection on behalf of the City of San Diego of 370 acres vacant Federal lands in San Diego County and sale to City of San Diego at the appraised price of $15,800; (b) Selection on behalf of James E. Cram of 80 acres of vacant Federal land in San Bernardino County and issuance of a patent in favor of James E. Cram for said land upon surrender of scrip certificates, which are to constitute the full purchase price.

What kind of trading stamps are involved?

MR. HORTIG: This, Mr. Chairman, could well have been the forerunner of this trading stamp program. I never thought of the analogy before you mentioned it. Concurrently with the existence in latter years of the constitutional office of Surveyor General, which was abolished in 1941, the Surveyor General had the authority to sell land scrip, which he did from time to time -- which resulted in a deposit to State funds of "X" dollars per acre offered by whoever desired
to purchase the land scrip, in return for which payment the purchasers were given a certificate to indicate that upon surrender of a certificate they were entitled to the specified number of acres of land on the particular scrip.

In this instance of a purchase of land scrip in 1922, at an average price of approximately $7.50 an acre, one Mr. James E. Cram purchased eighty acres with this scrip, which he has now offered to the State of California for acquisition of eighty acres of vacant Federal land in San Bernardino County which the Federal Government has transferred to the State of California. The Office of the Attorney General, in reviewing his legal rights, has reported by opinion (copy of which is attached to your agenda) that this scrip not only may but must be accepted in full payment for the eighty acres of land desired to be purchased.

MR. CHAMPION: Does this kind of scrip specify the particular land?

MR. HORTIG: No sir, it specified public lands of the State of California.

MR. CHAMPION: In other words, if somebody had some more scrip of this kind...

MR. HORTIG: And they do.

MR. CHAMPION: ... and they do, they are then free to buy school lands at substantially less than...

MR. HORTIG: Not school lands -- vacant Federal lands that can be acquired from the Federal Government by
the State in satisfaction of losses to the prior school land grant. These things carry the involved title of Indemnity Certificates of Location Scrip and vacant Federal land can be obtained on this basis upon surrender of this scrip.

There is this feature: Inasmuch as the last sale of such scrip was in 1928 and the scrip may only be surrendered for land by the original purchaser -- it is not assignable, it cannot be inherited; the estate can surrender the scrip for restitution of the original cash price but not for land -- the amount of effective outstanding scrip that may be surrendered is necessarily limited. As a matter of fact, it is some percentage that we have no estimate of, of $6,000 worth of scrip; that is, this was the cash purchase price, good for approximately seven hundred acres of land. So it is not a major item.

MR. CHAMPION: It is some percentage of that?

MR. HORTIG: It must be less, because unfortunately purchasers who purchased prior to 1928 probably aren't all with us any longer.

MR. CHAMPION: What is the pleasure of the Commission on this?

GOV. ANDERSON: One more.

MR. CHAMPION: It is crossed out on mine.

GOV. ANDERSON: Is that out? Move approval.

MR. CRANSTON: Second.

MR. CHAMPION: Stands approved, Item 8 -- Rescission
of Lease P.R.C. 2256.1, covering 0.2 acre submerged lands of Suisun Slough, Solano County; authorization for refund of rentals paid by Michael L. McInnis, et al., in the amount of $600, together with 6% interest; authorization for presentation of claim to State Board of Control; release of lessees from bond obligation. No facts necessary to substantiate State's claim of ownership.

MR. HORTIG: This was a case where the Lands Division was overenthusiastic. In field inspection, the area was underwater and connected by water channel to Suisun Bay, therefore it was assumed the property belonged to the State of California; but subsequent historical research and specific surveys by the State Lands Division survey crew have shown that the area would not be underwater but for an artificial dredger cut joining it to the Bay area.

Therefore, inasmuch as the lessee did not get anything but paid rental to the State, in equity they should be entitled to cancellation of the lease, restitution of their bond, and refund of the rentals that they previously paid to the State.

GOV. ANDERSON: I move it.

MR. CRANSTON: Second.

MR. CHAMPION: Stands approved.

MR. HORTIG: If the Board of Control concurs.

MR. CHAMPION: Mineral Extraction Leases -- (a)

Authorization for oil and gas lease offer, Orange County,
Parcel 16. (b) Authorization for lease offers for extraction of sand and/or gravel. Do you want to take separate action on that?

MR. HORTIG: It would be preferable.

MR. CHAMPION: What is the Commission's pleasure on Item 9(a)?

MR. CRANSTON: What is the situation?

MR. HORTIG: As shown on the map following page 42 of your calendar, Mr. Cranston, this is the next parcel of land which the staff recommends be offered -- advertised and offered for oil and gas bid in accordance with the sequential leasing program of the Commission.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: Stands approved.

(b) Eighty acres State school land near Brawley, Imperial County, at royalty of 10c per cubic yard, pursuant to application of S. E. Ryerson and F. Eugene Pinner, joint venturers.

MR. HORTIG: I might point out, Mr. Chairman, that should read at a royalty of not less than ten cents per cubic yard. Any lease would be issued subsequent to competitive bidding and the minimum bid would be ten cents; it is not a fixed ten cents.

GOV. ANDERSON: I move it.

MR. CRANSTON: Second.
MR. CHAMPION: It will stand approved with that change.

MR. HORTIG: Actually, that is the staff recommendation. It is summarized too narrowly on this summary.

MR. CHAMPION: Item 10 -- Authorization for Executive Officer to approve modification of State's participating percentage under Compensatory Royalty Agreement P.R.C. 255.1, Kirby Hill, Solano County, with Standard Oil Company of California, Western Operations, Inc., to 1.90% for period July 1 through September 30, 1962; to 1.34% for period October 1 through October 31, 1962; to 1.93% for period November 1, 1962 through February 28, 1963; and to 1.95% as of March 1, 1963.

MR. HORTIG: More simply, this is a report by your staff for the information of the Commission -- that the State does participate in gas operations in the Kirby Hill gas field in Solano County by reason of Nurse Slough and Montezuma Slough, navigable sloughs, flowing through the field -- which are drained by operations in Kirby Hill gas field. We have had for many years, since the effective development of the Kirby Hill gas field, a percentage sharing participation agreement with Standard Oil Company of California, under which royalty is paid for the calculated amounts of gas which are drained from the State lands.

The method of calculation depends upon which wells are in operation, which determines which lands are being drained in fact, and this item is to report the variation in
those percentages. Happily, in March 1963 we are up to one of our higher percentage participations -- until the next revision.

GOV. ANDERSON: I move it.

MR. CRANSTON: Second.

MR. CHAMPION: Stands approved. Item 11 -- Authorization for Executive Officer to approve gas sales agreement dated June 11, 1962 between Richfield Oil Corporation and Pacific Lighting Gas Supply Company, providing for sale of State's royalty share of dry gas produced from Oil and Gas Leases P.R.C. 308.1, P.R.C. 309.1, and P.R.C. 2793.1, Santa Barbara County.

MR. HORTIG: All Lands Commission oil and gas leases provide for the sale of the products as developed in terms of oil and gas by the lessee at, effectively, the market price as determined by the State Lands Commission, unless otherwise approved in writing as a result of a particular sales contract. The original proposal with respect to this sales contract for gas, as it was submitted, represented a deviation from what the staff felt was the reasonable market value for the gas on the part of one of the co-lessees in the particular leases in this instance, Richfield Oil Corporation.

It is, therefore, recommended now that the Commission approve such gas sales contract only at the price, the reasonable market value for gas being received by the other co-lessees in the same lease, as being indicative of the
reasonable market value of gas. On that condition, transfer
of the sales contract would be recommended.

GOV. ANDERSON: What was the difference in the rate?

MR. HORTIG: Between twenty-eight and thirty-three
cents per thousand cubic feet of gas.

GOV. ANDERSON: In other words, the average of what
the others are receiving.

MR. HORTIG: The market value at a selected period
of time for comparison, when our one lessee felt that because
of the particular marketing conditions under which they had
contracted to deliver their share of the gas for their opera-
tion, twenty-eight cents was an equitable and reasonable price.
Nevertheless, the other co-lessees who share in the production
were receiving 33.02 cents. So it is the suggestion of the
staff that the State's royalty should be calculated from the
uniform value of the gas on the lease and should be the high-
est market price received.

GOV. ANDERSON: And this was set at the thirty-
three-cent price?

MR. HORTIG: Pegged to the others.

GOV. ANDERSON: I move it.

MR. CRANSTON: Second.

MR. CHAMPION: Stands approved. What this does, it
puts us in the position of sharing in the extra benefit that
domestic producers get by virtue of having their price fixed
by the Public Utilities Commission.
MR. HORTIG: Yes, this is a direct result.

MR. CHAMPION: Item 12 -- Authorization for Executive Officer to inform Attorney General's office that proposed offer of settlement providing for payment of $1,000 for consideration of quieting title to disputed area (certain tide and submerged lands along left bank of Petaluma Creek next to Black Point Bridge in Sonoma County) made by Plaintiff in the matter of Donald M. Kofoid and Mary K. Kofoid vs. State of California, et al., Sonoma County Superior Court Case No. 49442, is acceptable; and to take necessary steps to effect settlement of the litigation. Plaintiff expended considerable money in reliance upon a 1951 boundary survey which did not correspond with true boundary as depicted by 1960 survey.

MR. HORTIG: Would you wish a simplified re-statement of the problem, Mr. Chairman?

MR. CHAMPION: I don't think it is necessary.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: It will stand approved. Item 14 -- Confirmation of transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1959.

MR. HORTIG: Which consisted of extensions of periods for geological and geophysical exploration survey permits previously authorized to be issued by resolution of the Lands Commission.
MR. CHAMPION: What is your pleasure?

MR. CRANSTON: Approve.

GOV. ANDERSON: Second.

MR. CHAMPION: It will stand approved. The only other items before us are reports on the status of legislation and report on the status of major litigation. Is there anything on either one of those?

MR. HORTIG: Nothing new on the legislation, which is now a historical tabulation for your files. I would like to bring the attention of the Commission to the fact that of ten measures authorized to be introduced by the staff on behalf of the Commission, two were subsequently approved for withholding of further action; and as to the remaining eight they are all now chaptered bills, which we thought was a reasonably good batting average.

MR. CHAMPION: One of the things that we proposed that was approved was this resolution dealing with setting up some standards in the area of tidelands leases, and it is my understanding that this is going to be a major project, with interim committee study.

MR. HORTIG: This is correct, sir. Actually, this was a proposal from the Director of Finance and was not an authorized action by the staff from the State Lands Commission.

MR. CHAMPION: Excuse me. I have gotten confused. Well, I think that the Lands Commission, however, whatever the origin here, is probably going to be called upon to take
a position in this thing. Is the staff preparing a position or a recommended position for the Lands Commission?

MR. HORTIG: Staff is preparing a recommended position for the Director of Finance. We can certainly expand and at this time consider the inclusion -- expanding the operation to include the interests of the State Lands Commission.

MR. CHAMPION: Well, let me ask the other members of the Commission: Would you be interested? It seems to me this is properly in the province of the Commission, rather than the Director of Finance alone and I would prefer whatever action would be taken would be at the initiative of the Lands Commission. (No response audible to reporter)

Is there anything further on that?

MR. HORTIG: Not with respect to legislation, sir.

MR. CHAMPION: What on litigation?

MR. HORTIG: I bring to the attention of the Commission the fact that the second item of litigation reported on page 78, the case of People versus the City of Long Beach, relating to ultimate boundary determination of previous tideland grants by the State to the City of Long Beach, which became a statutory responsibility of the State Lands Commission and on which expedition has been sought and the Lands Division and Attorney General's Office have been laboring diligently, was finally set for pretrial for September 10th of this year; and now has had to be continued among other reasons --
personally, unhappily I report this -- because of the continued illness of the Long Beach City Attorney. As to details, Jay Shavelson is our attorney of record on this particular litigation.

MR. SHADELSON: I just wanted to emphasize for the record that, despite the tremendously heavy burden that those of us representing the Commission have had in connection with such things as the Long Beach Unit, United States versus California, we have done everything possible to expedite the Long Beach boundary determination; and we did propose a pre-trial, we proposed special facts to the counsel for the City, and we would have been ready to proceed. The delay here was due not only to the illness of the City Attorney but also the illness of Mr. Ball, special counsel.

I do want to emphasize that we feel that this is a matter that must be terminated as quickly as possible. It can't be delayed too long and we are doing everything we can to get it tried.

MR. CHAMPION: Is there anything further here in United States versus California since you filed your brief?

MR. SHAVELSON: No, sir. We do expect the closing brief in the case the beginning of next week and then it will be up to the Supreme Court to decide on these initial procedural matters, which are going to be of tremendous importance as to the future of the case -- whether it is a revival of the old case or a brand new suit, as we contend.
MR. HORTIG: This brings to mind, Mr. Chairman, in connection with the very first litigation on page 78, U. S. versus Anchor -- State Lands, together with the Attorney General's Office, is going to be in conference almost immediately with the Department of Finance with respect to the manner of payment of the State's share of the compromise judgment.

MR. CHAMPION: Well, wasn't that pretty well understood at the time of settlement?

MR. HORTIG: As to the amount of the obligation, but the mechanics of handling it and whether it will all come out of one month, or whether it will be spread.

MR. CHAMPION: It will come from the Tidelands Fund.

MR. HORTIG: Correct. It will come from Long Beach tidelands revenue.

MR. CHAMPION: Are there any other questions on these two items. (No response) Did that 16th date work out?

GOV. ANDERSON: 16th, at 10:30 in the morning will be all right.

MR. CRANSTON: Whereabouts -- Los Angeles?

GOV. ANDERSON: Los Angeles.

MR. CRANSTON: O. K.

MR. CHAMPION: The next meeting of the Commission, then, will be at ten thirty a.m. in Los Angeles on September 16th -- Monday, September 16th.

MR. HORTIG: Mr. Chairman, may I ask then, and particularly Governor Anderson, if it should eventuate -- as
well it might -- that there is necessary consideration of Long Beach Oil Development contract replacement approvals at a date later than the 16th, the staff would then undertake to carry this to the remaining members of the Commission and we would operate with a quorum, but not without majority membership present?

GOV. ANDERSON: Mr. Sieroty would represent me, but without voting.

MR. CRANSTON: May I ask another question? If this lands policy matter is to come up at that time, I think we want some kind of an informal study before that.

MR. HORTIG: You will have the draft of the calendar item as we would present it to the Commission by -- Monday?

MR. SMITH: Monday.

MR. HORTIG: Monday of next week.

MR. CHAMPION: As I understand it now, we are ready to proceed after answering the questions resolved by the Senate Committee and you have satisfactory understanding as far as that is concerned; and the question now at issue is the feeling on the part of the Resources Administrator that we should set up some sort of new priority consideration?

MR. HORTIG: Or give some reflection to that. This is to be the subject of discussion.

MR. CHAMPION: Could this be adopted as we have now proposed it, without prejudice to a further proposal of
the Resources Administrator?

MR. HORTIG: Definitely; because the policy determination and the procedure would be subject to amendment at any time by the Lands Commission.

MR. CHAMPION: As a matter of procedure, I wanted to know. If we get into some extended discussion on this, we can still adopt that policy and amend it later.

MR. CRANSTON: I think we want to get into some study before that.

MR. HORTIG: The staff position will be to you at the beginning of the week. We are requesting this afternoon a written statement of position on behalf of the Resources Agency, of which we could get copies to you immediately upon receipt; and then, the staff are available to you individually or collectively at any time you want to have any review of the material.

(Discussion among members re available time to get together)

GOV. ANDERSON: I will be here on the 10th in the morning anyway. Could we schedule a meeting then?

MR. CRANSTON: For ten o'clock that morning?

MR. CHAMPION: Staff conference on the subject of their recommendations on lands?

MR. CRANSTON: Yes; and you will get your material to us before that; ten to twelve.

GOV. ANDERSON: Can you make it earlier than that?
MR. CRANSTON: Nine thirty to eleven thirty.

MR. CHAMPION: Is there any further business to come before the Commission? (No response) We stand adjourned.

ADJOURNED 11:15 a.m.
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing thirty-one 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 August 29, 1963.

Dated: Los Angeles, California, August 20, 1963.

[Signature]

LOUISE H. LILlico