TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA
September 16, 1963

PARTICIPANTS:

THE COMMISSION:

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

Mr. F. J. Hertig, Executive Officer

Mr. Alan Sieroty, Executive Secretary
to Lieutenant Governor Anderson

STATE LANDS DIVISION:

Mr. Kenneth C. Smith, Public Lands Officer

APPEARANCES:

In the order of their appearance:

Mrs. Ruth E. Thurber, Sierra Madre
representing thirty-nine exchange
applicants

Mr. John C. Spence, Jr.
Assistant City Attorney, Long Beach

Mr. Harold A. Lingle
Deputy City Attorney, Long Beach
### INDEX
(In accordance with Calendar Summary)

<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON PAGE OF CALENDAR</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Call to order</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Confirmation minutes 7/25/63</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3. PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Calif. Dept. of Agric.</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(b) Standard Oil Company of California &amp; Shell Oil Company</td>
<td>8</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>(c) Tidewater Oil Company</td>
<td>5</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>(d) Union Oil Company</td>
<td>7</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>4. Rescission Lease PRC 245,1 and issuance new 10-year renewal to H.K. Porter Co., Inc., Thermoid Division</td>
<td>9</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>6. Interagency agreement with Dept. of Justice in U.S. vs. California, No.5, Original, U.S. Supreme Court-1</td>
<td></td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>7. Public Lands Administration Program (other than sovereign tide and submerged lands)</td>
<td>3</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>8. Confirmation of transactions of Executive Officer:</td>
<td>4</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Mobil Oil Co.</td>
<td></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>William I. Moore</td>
<td></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Standard Oil Company</td>
<td></td>
<td>16=17</td>
<td></td>
</tr>
<tr>
<td>9. Next meeting (regular meeting) Special meeting on LBOD</td>
<td></td>
<td>26</td>
<td>24</td>
</tr>
</tbody>
</table>

continued
<table>
<thead>
<tr>
<th>ITEM ON CALENDAR</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>1</td>
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<tr>
<td>3</td>
<td>10</td>
<td>7</td>
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<tr>
<td>4</td>
<td>16</td>
<td>17</td>
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<td>5</td>
<td>3</td>
<td>2</td>
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<td>6</td>
<td>8</td>
<td>3</td>
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<td>7</td>
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<td>2</td>
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<tr>
<td>8</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>6</td>
<td>2</td>
</tr>
</tbody>
</table>

**SUPPLEMENTAL ITEMS:**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td>11</td>
<td>22</td>
<td>6</td>
</tr>
</tbody>
</table>

**UNCALENDRARED**

- L.B.O.D. replacement contract 17
- SPECIAL MEETING 9/30 24
- NEXT REGULAR MEETING 10/24 26

**""""**
MR. CHAMPION: The meeting will please come to order. I apologize for the tardiness in getting under way.

The first item is confirmation of minutes of the meeting of July 25th. If there are no objections, they will stand approved.

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

(a) California Department of Agriculture — Ten-year lease, 1-1/2 acres vacant State school land covering Vidal Junction Quarantine Station Site, San Bernardino County, annual rental $150, to replace Lease P.R.C. 2161.2 which expired June 30, 1963.

(b) Standard Oil Company of California and Shell Oil Company — Deferment of drilling requirements, Oil and Gas Lease P.R.C. 2198.1, offshore Santa Barbara County, through April 13, 1964; magnitude of data which needs review and analysis requires additional six-month defferment.

GOV. ANDERSON: Is this the same problem that you explained at the last meeting in the same general area?

MR. HORTIG: It is analogous, Governor, but it is complicated slightly further in that at the time of lease award less was known about this specific lease area than of the others in the entire series of leases we issued. As a matter of fact, for this lease more exploratory effort will have to ultimately be expended in order to determine what the
potentialities of this area really are. Therefore, the necessity for extensive review of the exploration data, and in view of no commercial discoveries on this particular lease, resulted in the staff recommendation that this deferment should be granted.

(c) Tidewater Oil Company -- Ten-year renewal of Lease P.R.C. 153,1, 0.3585 acre (two parcels) of State sovereign lands, Sacramento River, Sacramento County, annual rental $716.07; for construction and use of a pier for unloading petroleum products.

(d) Union Oil Company of California -- Geophysical exploration permit for six-month period from September 16, 1963 through March 15, 1964; Mendocino, Sonoma, Marin, San Francisco, San Mateo, Santa Cruz, Monterey, San Luis Obispo, Santa Barbara, Ventura, Los Angeles, and Orange counties.

MR. CRANSTON: I move approval of those items.

GOV. ANDERSON: Second.

MR. CHAMPION: They will stand approved.

4 -- Rescission of action of March 29, 1962, authorizing Executive Officer to issue a ten-year renewal of Lease P.R.C. 245,1, covering State sovereign lands of New York Slough, Contra Costa County, and issuance of a new ten-year renewal to H. K. Porter Company, Inc., Thermoid Division. Applicant has requested area to be reduced from 2.02 acres to 0.85 acre. Annual rental $317.22 instead of $793.80.

MR. CRANSTON: I move approval.
GOV. ANDERSON: Second,

MR. CHAMPION: It will stand approved.

4. Authorization for Executive Officer to inform the United States Department of the Interior, National Park Service, Point Reyes National Seashore, that the State concurs in the filing of the condemnation action by the United States to acquire the Limantour Sandspit, Marin County.

MR. CRANSTON: I'd like to hear a little bit about that.

MR. HORTIG: The United States Department of the Interior, in connection with the development of Point Reyes National Seashore, has the desire to file an action to acquire a sand spit for inclusion within the National Seashore area. The statute authorizing the Secretary of Interior to bring such action provides that this may be done only with the acquiescence or concurrence of the state in which such action is to be brought. The Department of Finance, the State Lands Commission, and the Attorney General's Office have consulted, and the Attorney General's Office has decided that if anyone should acquiesce, and has the authority to do so on behalf of the State of California in connection with this action, it is the State Lands Commission and such a resolution of acquiescence is necessary before the Department of Interior can proceed with its land acquisition program.

MR. CRANSTON: I move approval.

MR. HORTIG: To our knowledge, we do not know that
there are any State lands involved in the acquisition.

MR. CHAMPION: There are no obstacles to the acquisition at Point Reyes without our proposing any?

MR. HORTIG: That is correct.

MR. CHAMPION: You have moved approval.

GOV. ANDERSON: Second.

MR. CHAMPION: It stands approved.

6. Authorization for Executive Officer to execute an interagency agreement with the Department of Justice providing for services of the Attorney General in the action United States vs. California, No. 5, Original, U. S., Supreme Court, during fiscal year 1963-64, at cost not to exceed $285,884.

GOV. ANDERSON: I move it.

MR. CRANSTON: Second.

MR. CHAMPION: Stands approved.

Before we go to the consideration of the next item, which is the Public Lands Administration Program, we have two supplemental items I think we can dispose of briefly and take care of whoever may be involved in those, before we get involved in a lengthier discussion.

Will you handle the two supplemental items for me?

MR. HORTIG: Mr. Chairman, you have just been handed the first supplemental item, entitled "Repressuring Agreement, Fault Block I (Ranger Zone), City of Los Angeles, Wilmington Oil Field," which has been submitted for approval
by the Board of Harbor Commissioners of the City of Los Angeles, in accordance with the requirements of Section 6879 of the Public Resources Code.

The area related to Fault Block I is a portion of the developed Wilmington offshore field. They are submerged lands granted to the City of Los Angeles, as are adjoining lands, as you well know, that were granted to the City of Long Beach.

This is the first of a series of proposals and initial steps in connection with development of unit or cooperative agreements for Fault Block I. The Commission has heretofore approved for Long Beach, on adjoining lands, similar documentation pursuant to requirements of statutes for Fault Blocks II, III, and IV, and there are also some in process for Fault Block V. This is the first by the City of Los Angeles because it encompasses tidelands of the City of Los Angeles.

The agreement is found to be in order; it is found to be necessary for the conduct of a repressuring program which has been approved by the State Oil and Gas Supervisor. Therefore, the approval of the document which has been generated by the Board of Harbor Commissioners and approved by the Council of the City of Los Angeles is recommended to the Commission.

MR. CHAMPION: Any questions?

MR. CRANSTON: I move approval.

GOV. ANDERSON: Second.
MR. CHAMPION: Stands approved.

MR. HORTIG: The second supplemental calendar item which appears on page 22 (the number is in the lower right hand corner of the material before you) is presented on the request of the Office of the Attorney General and in accordance with the statutory requirements provided by Chapter 1847, Statutes of 1963, which will result in the settlement in the case of the United States versus Anchor Oil Company and others, and a dismissal of that litigation with prejudice on the part of the United States.

As a condition of completion of the settlement and necessary for presentation to the court in order to get the proper judgments rendered, the statute required that as to tide and submerged lands which have been occupied by, utilized by, the Navy Department in Long Beach not previously conveyed to the Navy Department in any manner, they are to be conveyed pursuant to deeds executed by the Governor, countersigned by the Secretary of State with the State seal, after receipt of a resolution by the State Lands Commission approving the conveyance.

There are two deeds attached as exhibits to your calendar item, which have been prepared in accordance with the statutes by the Office of the Attorney General and are approved by that office, and approval of the form of the contents of the deeds by the Lands Commission is requested and recommended.
MR. CRANSTON: move approval.

MR. HORTIG: They have been reviewed for technical sufficiency by the State Lands Division.

GOV. ANDERSON: Second.

MR. CHAMPION: Do you wish to speak on this? (To some person in audience) There is no question apparently. It will stand approved.

Now we will return to the regular agenda and to the proposal for the Public Lands Administration program. As most of you know, this is something we have had under consideration for a long period of time. We have held extensive public hearings, extensive discussions on this. The Legislature did the same, offered comments, and some of them have been incorporated in the proposal which is being advanced today. I don't think that there are now any new items on this.

I might ask Mr. Hortig to summarize, not to list the entire policy recommendations; but before I do that, I want to make two things clear: That under the State's procedures, if there is -- I think within one hundred twenty days after new regulations are established -- any protest, another hearing can be called to consider any further testimony on this subject. So that, while I would expect that the Commission would act on this proposal today, there is that further avenue of discussion for someone who wishes to do so. That isn't to preclude any comment or protest today, but I
just wanted everyone to be familiar with the background, the fact that this is now in final form before us for action, and probably we would want to proceed.

I want to make it clear further that, while this is a very comprehensive policy program, there are items in it that are ministerial in nature and are subject to review and change by the Commission at its own discretion; but we did want, for the first time in many decades, to give the State of California a broad and consistent policy and method of handling this increasingly archaic approach to the public lands problem.

Frank, would you like to make a brief presentation of what is involved?

MR. HORTIG: Preliminarily, Mr. Chairman, I think I should amplify that, actually, the opportunity for further comment will be two-fold. First, further presentation or suggestions or comments for modification can be presented to the State Lands Commission at any time and can be accepted and adopted by the State Lands Commission as a matter of policy at any meeting of the State Lands Commission.

Second, on the assumption that the program under consideration here today will be adopted as a matter of policy, then implementation of that policy will require, and the action by the Commission will authorize, the preparation and consideration of modified rules and regulations in order to permit this policy to be carried out. For rules and

OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
regulations to be adopted into the California Administrative Code, an additional series of public hearings are necessary as to the content of those proposed rules and regulations and report to the State Lands Commission before they are adopted in turn, at which time there is then again public opportunity to comment on the sufficiency or insufficiency or desirability of any phase of the program.

In summary -- you 'ave covered it already most succinctly, Mr. Champion, -- the fundamental premises of this program, which will be an administration program for a State Lands Commission for the first time in the history of State lands' administration by a Commission in the State of California -- and this is pursuant to action by this particular Commission -- contemplates classification of the remaining lands under the jurisdiction of the State Lands Commission, and that includes those remaining lands to which the State is entitled from the United States; to classify these lands for their highest and best use; to have them available for public use, where public use is the highest and best use, for recreation and other State development programs; also to have lands available for lease for military, silviculture, grazing, and other related purposes, where the lease procedure under the direction of the State Lands Commission will result in a maximum of return to the State on these lands, which were granted to the State at least with an honorary trust obligation that when utilized the proceeds from these lands will be
the maximum that can be reasonably obtained therefor for the benefit and support of the common schools.

The final step in the proposed program will provide for sales of land for which applications can be received as they have been heretofore, prior to May 24, 1960 -- applications to purchase such lands pursuant to competitive public bidding. The resulting sale, with the minimum bid to be at the appraised value of the land, will of course result also in increments to the school fund, and also a replacement of such lands on the local tax rolls in the counties in which they are sold.

MR. CHAMPION: Do any of the Commissioners have either comments or questions?

MR. CRANSTON: I'd like to ask one question on Recommendation 7, subsection 3, on page 13. From the original draft there has been a revision to eliminate the requirement that the full amount of the offer in cash must accompany the original effort to acquire a piece of State land; and I note that there is now a minimum of $2,500 recommended. I'd like to ask: Upon what basis did you hit upon that as a figure?

MR. HORTIG: Actually, this is not a minimum. This is a ceiling beyond which it would be proposed that an applicant to purchase would not have to deposit the full cash price; that full appraised value would be deposited if the appraised value did not exceed $2,500; that on lands appraised
at more than $2,500 the initial bid be accompanied only by a
deposit of twenty per cent of the appraised value.

MR. CRANSTON: This would have the effect of making
a minimum of $2,500 in any case?

MR. HORTIG: No, sir, up to $2,500. If a parcel
were appraised at $500, why, the deposit would be $500. Up
to $2,500, the deposit would be up to that $2,500; and beyond
$2,500, twenty per cent of the appraised value.

There are patently infinite numbers of methods and
cutoff points that can be selected. However, in view of the
fact that the lands may be sold by the Lands Commission pur-
suant to law only for cash, it was felt that benefit would be
achieved in connection with larger appraised tracts of land
where large amounts of money might be held up to ninety days,
to minimize this loss to a prospective bidder by permitting
him to deposit only twenty per cent of the money; whereas,
in the other instances of the lower price parcels of land,
which are usually processed much more expeditiously, inasmuch
as cash must be offered to the Commission under the law, it was
felt that up to $2,500 might not be an excessive break-over
point.

It is recognized that no matter where the break-over
point comes, someone can justifiably contend that there might
be someone bidding only ten dollars over the break-over point
having the advantage of the lower deposit. There have been
other alternatives discussed. Do you intend to raise an
alternative suggestion on this, Mr. Sieroty?

MR. SIEROTY: I think there is a possibility here which just would not seem fair -- where a person would have a bid in for $3,000 -- that he would only put up $600; whereas, at $2,400 he would have to put up the entire amount. We have in this program no time between the confirming of the bid and the time the money is to be put up. I guess this will be covered by rules?

MR. HORTIG: This will be in the rules and regulations and the proposal we can set is to utilize the standard time period for land sales by the Commission, which would be twenty days.

MR. SIEROTY: But I think you would still have a cash sale by allowing twenty per cent down payment on the bid. I would suggest that we have an over-all twenty-percent deposit, with a minimum of $500.

GOV. ANDERSON: I was going to suggest that.

MR. HORTIG: Did I understand that? This would mean on any deposit, the appraised value of the land up to $500 and then twenty per cent on any that exceed the $500?

MR. CHAMPION: He said there would be a minimum of $500. In other words, if it were $700, you would still have $500 instead of twenty per cent.

MR. HORTIG: $500 on a $300 parcel?

MR. CHAMPION: A minimum of $500 for anything that is over $500.
MR. HORTIG: Right, and no twenty per cent increment beyond?

GOV. ANDERSON: Twenty per cent increment beyond that.

MR. CHAMPION: Twenty per cent, with a minimum of $500 except on amounts under $500.

MR. CRANSTON: Would you require the full amount under $500?

GOV. ANDERSON: I would think you would have to protect the Division from very small amounts.

MR. SIEROTY: I might point out every applicant has to put up $350 in addition to the deposit.

MR. HORTIG: Right; in addition to the bid deposit.

MR. CHAMPION: It is an acceptable solution to me. How do you feel about it?

GOV. ANDERSON: I like it the way you stated it.

MR. CHAMPION: Then we will amend the policy to show that the bid deposit should be not less than $500, except where the parcel is below $500; twenty per cent beyond that point, but obviously with a $500 minimum.

GOV. ANDERSON: I liked it better the way you said it the first time.

MR. CHAMPION: So did I, but I couldn't remember it.

GOV. ANDERSON: You had twenty percent with a $500 minimum, except where the sales price is less than the minimum -- then it would be the full amount.
MR. CHAMPION: Right.

MR. SIEROTY: In effect....

MR. CHAMPION: Let's not restate it again.

MR. SIEROTY: Not to restate it, but where in the leasing of our tidelands oil properties we require twenty per cent by oil companies, I think in this way the person bidding on small lands would be given the same consideration.

MR. CHAMPION: Well, that will be a change in the document as presented to us. Now, are there any further suggestions from the Commissioners or members of the staff?

(No response) If not, I think we are ready for the audience.

Will you state your name for the record, please?

MRS. THURBER: I am Ruth Thurber, representing thirty-nine applicants under two exchanges -- Exchange 67 and Exchange 75, which are about seven years old; and I am speaking directly to this subject which you have been discussing, Number 7. I merely wish to inquire if any of these changes which are being made now, being decided upon now, could abrogate the agreements reached with these applicants in the beginning under the printed purchase-of-land contract.

In other words, will this $350 in addition be required when the original contract was for a smaller sum to be deposited, that has already been deposited?

MR. CHAMPION: I think the best way to answer this is to have Mr. Hortig explain the whole question of the standing applications.
MRS. THURBER: In that case, may I ask another question? Three things I would like clear would be, under number 7, I want to confirm the fact that the acceptance of "those applications filed for purchase" does cover these two exchanges, Mr. Hortig.

MR. HORTIG: Yes ma'am.

MRS. THURBER: The second one is: Will those exchanges require an additional $350 under (2) when they are approved?

MR. SMITH: Mrs. Thurber, at the time the sale is made under (2) which you refer to, the deposit will be required to cover expenses, yes, in addition to that which is now on file.

MRS. THURBER: Well, the original contract with these people filing gave specifically the amount of money that should be deposited previous to the sale, and that amount of money was deposited; and I am wondering how any new rules can be operated now.

MR. SMITH: The amount to which you refer is the minimum initial deposit to qualify an application. Then, when it reaches the stage of processing we require an additional expense deposit to cover actual expenses incurred.

MR. HORTIG: I might amplify that that has been in effect at all times pursuant to any application filed heretofore.

MR. CHAMPION: I think to answer it simply, nothing
is changed for those applicants by the action contemplated today.

MR. HORTIG: This is correct, Mr. Champion. This was reported to the Senate Fact Finding Committee; for the benefit of Mrs. Thurber, it was reported to Assemblyman Lanterman on her behalf. Nothing with respect to any application on file prior to May 24, 1960 is being changed.

MRS. THURBER: That's fine, and that also includes under number 14, number (2)?

MR. CHAMPION: It includes everything, Mrs. Thurber.

MRS. THURBER: It does?

MR. CHAMPION: Yes.

MRS. THURBER: Splendid. Thank you very much. In other words, nothing can be retroactive that is decided today. Thank you very much.

MR. CHAMPION: Certainly. Is there anyone else who wishes to appear on this matter?

MR. HORTIG: Mr. Chairman, if the Commissioners will refer to page 14, recommendation 15, there is a reproduction error in recommendation 15: Sixth line, after the word "available," strike the comma and "agencies agree."

That was in the prior rough draft. The rest of the resolution still serves and reads correctly with that deletion.

MR. CRANSTON: Mr. Chairman, I move adoption of the recommendations.

GOV. ANDERSON: Second.
MR. CHAMPION: They will stand unanimously approved, with the understanding that we will now proceed to implement new rules and regulations where necessary.

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

MR. HORTIG: Consisting again, Mr. Chairman, of extensions of previously authorized geological and geophysical survey permits and one grazing lease.

MR. CRANSTON: Move confirmation.

GOV. ANDERSON: Second.

MR. CHAMPION: Stand approved. This is not on the agenda, although at the last Commission meeting we discussed the fact that we would try to have a discussion of the L.B.O. replacement contract at this time. Unfortunately, we did not get the final draft of the proposed agreement from the City of Long Beach, from the Harbor Commission of the City of Long Beach, until today -- so that we are not in a position to have a staff analysis. However, I have asked the representatives of the Harbor Commission to make a brief presentation of the principles involved in the contract and we are still of a mind that we must hurry on this. So there probably will be, and we will try to set it up before the meeting adjourns today, a special meeting to consider finally this matter, or at least to consider it again in detail with a report from the staff with recommendations.
MR. SPENCE: For the record, my name is John Spence, Assistant City Attorney of Long Beach. Just to review the background of the contract, I might point out and call your attention to the fact that we had submitted the outline of the contract, the complete contract I should say, to the staff of the Lands Commission on the 23rd of July and to each member of the Commission on the 25th of July. Thereafter, the staff of the Harbor Department and the City Attorney's Office met with Mr. Hortig's staff and members of the Attorney General's Office to consider certain changes, which were a matter of form -- at least, we thought they were a matter of form rather than substance -- and after those pages had been revised incorporating the suggested changes, we furnished those to the Attorney General's Office and to Mr. Hortig's office.

Today we have delivered to Mr. Hortig copies for the use of his staff and for the use of the members of the Commission and for the Attorney General's Office. This draft, while it is in final form in that we have eliminated spaces and pages and so forth, is substantially the same draft as you gentlemen received on the 25th, with the changes that were suggested by the Harbor Department, by the Attorney General's Office, and by Mr. Hortig. So that I think, insofar as the City of Long Beach is concerned, we consider this a final draft; and we hope and trust the Lands Commission will be able to consider it in the month of September because it is imperative that this contract go out to bid this month.
At your request, Mr. Champion, I'd like to hit some of the highlights of the contract principles.

MR. CHAMPION: Would you just answer one question before you do this?

MR. SPENCE: Yes.

MR. CHAMPION: This is now fully approved by the Harbor Commission and the City Council of Long Beach?

MR. SPENCE: Yes, sir. The term of this contract is twenty-five years, and the successful bidder will operate the property under the direction of the Board of Harbor Commissioners. This is under A.P.I. standards and good oil field practice. Third, the operator will take, account, and pay for all oil on the basis of the average posted price and valued on the nearest one-tenth of a degree of A.P.I. gravity.

Four, the operator will be reimbursed for his actual cost out of one hundred per cent of the value of allocated and produced oil. Non-reimbursable expenses, in general, are cost of performance bonds, income taxes, and corporate expenses.

Five, the operator will be compensated out of the percentage of net profits.

Six, the bid factor will be the percentage of net profits to be paid to the City.

Seven, the operator may terminate on one hundred eighty days written notice if he can demonstrate to the satisfaction of the Board of Harbor Commissioners that his operations under the contract are no longer profitable; and,
conversely, the Board of Harbor Commissioners can terminate it on the same basis.

MR. CHAMPION: Does this differ in any substantial way from your present operating contract in that field?

MR. SPENCE: With L, B, O, D.?

MR. CHAMPION: Right.

MR. SPENCE: As far as the average posted price, it is substantially the same. Of course, there is a difference in the L, B, O, D, contract. There is a guarantee to the contractor of fourteen and forty-five one hundredths per cent of the value of the oil and there is another guarantee to the City. The reason there is this difference between the L, B, O, D, contract and the present contract is that this is an existing, declining field. You might say it is declining because we have had twenty-five years of production behind us and we have to look forward to perhaps after the twelfth or fourteenth year. In substance, under this new contract we don't believe that the production will be on the upgrade. We believe it will be on the decline.

MR. CHAMPION: Any further questions?

GOV. ANDERSON: Yes. I'd like to have you develop a little bit for me the average posted price -- how you arrive at that, the area concerned, and so forth.

MR. SPENCE: Yes, sir. First, I better mention the fact that the contractor isn't going to be paid for any gas produced because by the time this contract is executed
by the successful bidder, there won't be much gas down there for him to worry about.

There are three types of oil involved in the contract, which is somewhat different than our East Long Beach Unit. First, we have what is known as allocated oil. That is oil assigned by the unit coordinators, by the unit operators of the field in Fault Blocks II, III and IV; V isn't consummated yet, but we hope it will be shortly. Then, we have produced oil. That is oil produced from non-unitized formations. Then we have what is called pay-back oil. That is oil paid to the City to reimburse it for capital costs either before or after unitization.

Now, the contractor is not going to get any part of that pay-back oil. He hasn't produced it. It is just oil paid to the City to reimburse it for capital expenses advanced to the unit.

Now, all the oil is valued on the basis of the highest of either, first, the price equal to the arithmetic average of prices posted by continuing purchasers in the field, or arithmetic average of the posted prices of Standard, Union, Texaco and Mobil in Wilmington Field, Huntington Beach, Signal Hill and Inglewood.

Now, if the contractor -- or one or more of the corporations comprising the contractor as a joint bidder -- pays an average higher than the posted price to others in the Wilmington Field, such average posted price will have to be
paid by the contractor to the City.

GOV. ANDERSON: Now, the area in which you determine this, is that the area of Wilmington, Inglewood, Signal Hill and Huntington Beach? Is that the area you are talking about?

MR. SPENCE: We take the Wilmington Field, we average that; and we take the other four fields, and average that; and he pays the average in those two fields.

GOV. ANDERSON: I am not entirely clear on that.

MR. SPENCE: Well, perhaps an engineer ought to answer your question.

GOV. ANDERSON: Sometimes I get it a little easier when I don't ask an engineer. Average over what period of time?

MR. SPENCE: The daily average.

GOV. ANDERSON: In other words, the daily average price?

MR. SPENCE: Yes -- for oil of like gravity on the day the oil is run into the pipelines or the tanks of the contractor.

MR. CHAMPION: I think it might be well to review, at least momentarily, the schedule here, which has escaped me -- your time problem.

MR. SPENCE: Yes.

MR. CHAMPION: You feel that you need to go to bids in October, in order to get what subsequent results?
MR. SPENCE: We feel that this contract should go out for bid by the first of October in order to give the oil companies an opportunity to examine the contract and arrive at a good bid for the City and State. We feel sixty days is a minimum on that. We would like to have the bids opened by the first of December and awarded by the 15th of December. That means that from the 15th of December on, the contractor or the successful bidder has fifteen days in which to execute the contract, his performance bond, and furnish the insurance that is necessary under the contract. That branches out to something after January 1, 1964. Then the contractor will have to have additional time to go into all of the mechanics and ramifications of the accounting procedures, because he has to deal not only with produced oil that is right off the properties, but also unit oil; and if he doesn't understand those unit agreements, he is in for a bad time.

MR. CHAMPION: He may be in for the profit on his contract if he doesn't understand them in advance.

MR. SPENCE: Yes, but he doesn't have much time to understand them in advance if he happens to be a stranger in the Wilmington Field.

MR. CHAMPION: Your ultimate aim is that your present contract will expire and you must be ready for operation under the new contract on the date of the expiration of the old. What is the date of expiration?

MR. SPENCE: The expiration is midnight of the 20th
of March, 1964.

MR. SIEROTY: Isn't there a provision in the contract regarding a holdover after the 20th?

MR. SPENCE: You mean L.B.O.D.?

MR. SIEROTY: Yes.

MR. SPENCE: No, sir. It expires on March 20, 1964 and we can't drink the air down there, either.

MR. CHAMPION: It will be more profitable to us if you don't drink it.

MR. SPENCE: It sure will be and for us, too.

MR. CHAMPION: Is there any further question or comment on the situation at this time? (No response) Let's try to set the time. The time has been proposed, September 30th, to give our staff maximum time. Is that acceptable? (Assent indicated by other Commissioners) All right. We will set, then, a special meeting at ten a.m. -- and if it is all right with the others, I'd like it in Sacramento.

MR. CRANSTON: Yes.

MR. CHAMPION: Ten o'clock, September 30th, in Sacramento -- a special meeting on this subject. Now, if necessary, there may be some other items on the agenda; but we will try to restrict it to this item if possible.

MR. CRANSTON: I would like to ask one question on your calendar. I have no idea whether the Lands Commission at this point will want any changes or will accept the entire thing as submitted. Supposing we do find something that needs
Mr. Spence: That would have to go back to the Board for their concurrence. It all depends, of course, when these changes are suggested to us. We hope there won't be any. We understand, of course, that we are not committing Mr. Hortig's office or Mr. Golden's office. They have indicated that they have given us all the changes they had in mind at the moment, but in fairness to them I want to say that they stated to us that they may have additional changes -- they don't know what the changes might be; but if there are any changes, we certainly should have them at least a week before the meeting.

Mr. Champion: I think what we should arrange to do, if we have any fundamental problems there should immediately be a conference to let you know what they are; and whether it will be necessary to have an official meeting or not, I don't know, but it would involve conferring with the Commissioners and the staff, and we will give you such advance notice if possible.

Mr. Spence: Yes.

Mr. Champion: Is there anything further on that subject? (No response) Thank you very much, Mr. Spence.

Mr. Cranston: While we are on the subject of Long Beach, I'd just like to ask the representatives here of Long Beach the present status of the Wilmington Oil Field proposals which you had from us in June.

Mr. Champion: Mr. Lingle?
MR. LINGLE: I have no new developments to report. The City Council was involved in these -- they have to approve them also -- and I have no new developments.

MR. CHAMPION: They have not scheduled any further action since they have approved L.B.O.D.?

MR. LINGLE: No, they haven't.

MR. CHAMPION: They have not. Thank you very much.

That leaves the only business still before the Commission the reconfirmation of date, time and place of the next Commission meeting -- Thursday, October 24, 1963, at ten a.m., in Los Angeles, if that is satisfactory.

GOV. ANDERSON: If that's the same one,

MR. CRANSTON: Yes.

MR. CHAMPION: That will be the time of the next meeting, with the exception of the special meeting that we just scheduled.

Is there any further business to come before the Commission? (No response) The meeting stands adjourned.

ADJOURNED 12:03 P.M.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, hereby certify that the foregoing twenty-six pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California on September 16, 1963.

Dated: September 18, 1963.

[Signature]

Hearing Reporter
Office of Administrative Procedure