Meeting held in Room 2170
State Capitol Annex
Sacramento, California

Thursday, November 21, 1963
10:20 O'clock A. M.

Reported by:
Alex C. Kaempfer
Certified Shorthand Reporter
APPEARANCES

Commission Members:

Merrys, Hale Champion, Director of
Finance -- Chairman
Glenn M. Anderson, Lt.
Governor -- Member
Alan Cranston, State
Controller -- Member

Staff Members:

F. J. Horig, Executive Officer
F. W. Kreft, Assistant Executive Officer
Kenneth C. Smith, Public Lands Officer
Gregg Taylor, Attorney General's Office

Julia T. Stahl, Secretary

and

Alex G. Kaempfer
Certified Shorthand Reporter
<table>
<thead>
<tr>
<th>INDEX</th>
<th>Page</th>
<th>Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting called to order by Chairman</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Confirmation of Minutes of Meeting</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>of September 16th, 1963</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter from Vincent Thomas, Chairman, Joint</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>Legislative Audit Committee to Hale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Champion, Chairman, State Lands Comm.,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>dated 11/19/63, read into record by Chairman, and statement of Chairman</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statement by Lt. Gov. Anderson</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>Statement by Gerald Desmond, City Attorney, Long Beach</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Item 3. Permits, easements, and rights-of-way granted to public and other agencies at no fee, pursuant to statute (a) Port Hueneme Sanitary District; (b) State of Calif., Dept. of Fish and Game; (c) State of Calif., Dept. of Water Resources</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>Motion by Gov. Anderson, seconded by Mr. Cranston and unanimously approved</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>Item 4. Permits, easements, leases and rights-of-way issued pursuant to statutes and established rental policies of the Comm. (a) Humble Oil &amp; Refining Company; (b) Huntington Signal Oil Company; (c) Richfield Oil Corporation; (d) Rio Ramaza Community Services District</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Motion by Mr. Cranston, seconded by Gov. Anderson, and unanimously approved</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>Item 5. Selection and sale to American Potash and Chemical Corporation of 40 acres vacant Federal land, Inyo County, at appraised price of $2000.</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td>Motion by Gov. Anderson, seconded by Mr. Cranston, and unanimously approved</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Item 6. Approval of Map of Resurvey of Surveys Nos. 88 and 89, Swamp and overflowed lands along the shore of Suisun Bay and Hastings Slough, Contra Costa County, etc.</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>Motion by Mr. Cranston, seconded by Gov. Anderson, and unanimously approved</td>
<td>23</td>
<td>2</td>
</tr>
</tbody>
</table>

-1-
Item 7. Issuance to Blomquist Oil Service, Inc., of mineral extraction lease for 370 acres submerged land, San Pablo Bay, Contra Costa County, at minimum royalty of $0.08 per cu. yd., plus an increment of 10 percent of the gross sales price in excess of $0.42 per cu. yd. for all sand extracted.

Motion by Mr. Cranston, seconded by Gov. Anderson, and unanimously approved.

Item 8. Authorization for Executive Officer to execute interagency agreement with Colorado River Boundary Commission, providing for rendering of engineering, administrative, and other services to the Boundary Commission for the 1963-64 fiscal year, at Commission's actual costs not to exceed $7000.

Motion by Gov. Anderson, seconded by Mr. Cranston, and unanimously approved.

Telegram from Shell Oil Company read into record by Mr. Hortig.

Statement by R. F. Karshner, Shell Oil Co. of Los Angeles.

Item 9. Reconfirmation of date, time, and place of next Commission meeting -- Thursday, December 19, 1963, at 10:00 a.m., in Los Angeles.

Meeting adjourned.

Reporter's Certificate.

---c0c---
CHAIRMAN CHAMPION: The meeting will please come to order.

The first item is confirmation of the minutes of September 16th. If there is no objection, they will stand as submitted.

Before we move on to the rest of the agenda, there is some business before us with respect to the tidelands, the replacement contract on the Long Beach tidelands, and I will read into the record one letter which we received addressed to the State Lands Commission: (Reading:)

"The Joint Legislative Audit Committee of the California State Legislature met on November 19, 1963. A quorum was present.

"At that time the following motion was moved, seconded, and unanimously approved:

"That the Chairman be directed to send to the State Lands Commission a request that no further action be taken involving contract negotiations in leasing Long Beach tideland oil fields;

"Further, that at their earliest convenience the Joint Legislative Audit Committee, the State Lands Commission, and representatives of the Senate..."
Fact Finding Committee on Natural Resources hold a combined meeting to discuss over-all policy on this matter;

"And, in conclusion, that no agreements be signed until such a meeting is held."

There is another — not communication to the Commission, but it was a statement issued by Senator O'Sullivan in which he asked, he said he felt that certain information that he had should be aired at a public meeting of the Senate Fact Finding Committee on Natural Resources. And he felt that the Lands Commission should defer action to the bids to be opened December 11th.

Well, I think that these two things call for some clarification so that there will be no misunderstanding as to where we now are in this matter. This does not mean that the bids are not to be opened or considered on December 11th on the replacement contract. That procedure will go forward as it has already been legally set forth, and I don't think there's anything in either of these communications which would indicate in any way that that should not be done.

I conferred with Senator O'Sullivan, and I have not had a chance, however, to confer with the chairman of the Joint Audit Committee, but I think we will be able to arrange a joint meeting to discuss the policy of these matters.

Now, there's no further official action really that is required that would be taken normally or otherwise between
now and the opening of the bids on the replacement contract on December 11th, and those bids will be at least some evidence of the validity of the bidding procedure, and we would hope that the bidders would proceed in full good faith to present bids at that time.

And that's the present planned intention of the Commission to look at those bids on their merits as we do on all bids before the Commission.

It is important, of course, that we meet and discuss any information that anybody has on this of whatever character, and we will participate in a joint meeting with these groups hopefully just as soon as possible; whenever the joint arrangements can be made, why, the Commission will be glad to cooperate in holding such a meeting and exploring any policy questions that may be raised.

Governor Anderson?

GOVERNOR ANDERSON: Well, on the same thing, I feel that there needs to be a point of clarification between the old contract and the new contract.

Now, I had several calls yesterday including one legislator, and there seems to be confusion in the minds that we are about to continue something that has been in existence, and there isn't going to be a change in the procedure, and I think that somehow we have to get over that the contract that we're presently operating under was written almost 25 years ago prior to the State's participation in it, and that one of the
questions that they have raised is the inability to determine
the exact profit of the Harbor Development Company and that
the point I made clear to this legislator and to the other
people is that the new contract we're entering into calls for a
full and complete disclosure of profits.

Now, isn't that right, Mr. Hortig, that there isn't
any question in the one that we are offering in this regard?

MR. HORTIG: That is correct, Governor Anderson,
because the requirement and the proposed method of basic
compensation to the field operating contractor, which is the
document on which bids are to be received on December 10th,
provides for compensation of the field operating contractor
from a percentage of the total net profits, so that the net profits
for the entire operation and the distribution between city, state
and field operating contractor will be known and will ultimately
be a matter of public record.

CHAIRMAN CHAMPION: Under the old contract it was
a gross figure rather than net, and that is the reason that no
precise profit figures are obtainable, is that correct?

MR. HORTIG: No precise -- the precise net profit
figures are only in the corporate books of the contractor, the
contractor being reimbursed under the existing contract from
a percentage of the gross revenues.

CHAIRMAN CHAMPION: Right.

MR. HORTIG: And therefore how much net revenue accrues
in fact to the field operating contractor is a matter of his own
private financial concern.

CHAIRMAN CHAMPION: But this is completely cured in the new contract.

MR. HORTIG: This will be completely cured in the new contract.

CHAIRMAN CHAMPION: And we would know on opening the bids of the net percentages as to exactly what it would mean as to the current net production at Long Beach?

MR. HORTIG: This is also correct. Of course, actually the net profit to a field operating contractor is going to be less because of operating expenses which are not reimbursed than the percentage allocated to the man, but the maximum possible figure of net profit to the operating contractor will be known at all times.

GOVERNOR ANDERSON: Why hasn't this distinction between the two contracts been given more publicity, or has it been given publicity?

MR. HORTIG: Well, it has been given publicity, and as a matter of fact it was pointed out in the presentations by the Long Beach Harbor Development in proposing the new contract form as well as any discussions for the Long Beach unit that the approach by the City of Long Beach at this time was to seek for an accounting on a complete net profit basis where all these data would be available, and it would be known just what the consideration was to the various participants as an improvement over and based on experience gained under the
prior and existing contracts which as you pointed out were written as long ago as 25 years.

CHAIRMAN CHAMPION: Is there anything further?

Mr. Cranston.

MR. CRANSTON: What are your thoughts on when this meeting might be arranged?

CHAIRMAN CHAMPION: Not having been able to explore it with the Chairman of the Joint Audit Committee, I have no notion, but I think it ought to be as expeditiously as possible, and of course working with the commissioners to see what is a mutually available date.

MR. DESMOND: May I speak, Mr. Chairman? Gerald Desmond, City Attorney, Long Beach.

I understand the Commission's position entirely, when legislators indicate that they want additional time or they feel that facts should be brought out into the open, why, certainly the Commission as always is going to listen to that.

However, I feel that the recent action by the Joint Legislative Audit Committee is the reason why -- the recent action by the Joint Legislative Audit Committee just two days ago is the reason why today the Commission is not acting on the Fault Block 5 unit agreement.

Now, the reason I say that is because all of the documents necessary, all of the work needed for the Fault Block 5 unit, which has a date of December 1st effective date written into all of the documents, approved now by the working interest
owners, approved by the royalty interest owners — if that
date of December 1st can not be met and you're not going to
discuss this — we've been advised only yesterday for the first
time we heard rumors of this in a very roundabout way, it came
down to the City of Long Beach, that evidently the Commission
was not going to consider Fault Block 5 unit agreement, although
everything has been gauged toward the December 1st date.

Now, it's not going to be on a general —

CHAIRMAN CHAMPION: Excuse me, Mr. Desmond, just so
the Commissioners can be enlightened as to this, it's only
reached us indirectly yesterday, and this was not my
understanding, and I'd like to have the staff say what
happened with respect to the consideration of Fault Block 5.

MR. HORTIG: The Fault Block 5 proposal submitted by
the City of Long Beach for consideration and approval by the
Commission as required by Chapter 29 is a complex collection
of many inter-related documents, the last piece of supporting
evidence which was requested by staff having been received on
Monday of this week, it is the subject matter of review by
the Attorney General's office for a long series of Attorney
General's Opinions, which in conference with the Attorney
General's Office yesterday afternoon — excuse me, two days
ago, in the afternoon, it was determined that it was completely
infeasible to have all of the legal opinions necessary for
consideration by the Commission prior to approximately mid-
December, assuming that in the review by the Attorney General's
Office of the inter-relationships of these documents additional problems are not developed, and consequently the subject matter could not be scheduled because there was no basis for drafting a staff recommendation for presentation today.

CHAIRMAN CHAMPION: Was there any consideration or was it at all involved in this Audit Committee action?

MR. HORTIG: No, sir, this is entirely independent, and as a matter of fact, the conference with the Attorney General's Office, as I say, on the availability of opinions actually was held the day before the letter was received from the Joint Legislative Audit Committee on which, of course, we had no previous notice, so they were entirely independent actions.

MR. DESMOND: Mr. Chairman, I won't go into that any further. I wanted to say that what Mr. Hortig has indicated so far as we know is absolutely correct. All of the information requested has been furnished by the City; for a period of time the City was in almost constant contact with the Attorney General's Office daily, and we've asked again and again if there's any further information needed.

Mr. Hortig has spoken of information last supporting document received by his office on Monday. That document was requested on Friday. It was delivered the next business day, just last Monday.

But the other part that I want to go into is the fact that the Joint Legislative Audit Committee letter which you have
read to the Commission and to the audience here refers to leasing agreements which to begin with is not the type of thing that's before the Commission and actually before the bidders at the present time.

CHAIRMAN CHAMPION: That, too, is my understanding. It is not a directly related problem. They wanted to discuss over-all policy in this area.

MR. DESMOND: But what appears to me is that the actions that have been taken and the statements made by Senator O'Sullivan during the past two weeks: time have actually constituted an attack upon the bidding procedure.

What encouragement is there to the bidders -- I know how the Commission feels about it; I understand what you said this morning that you're going to go through with this entirely -- but Senator O'Sullivan's statement, which came only four days after the Commission meeting, ended by the statement: (Reading:)

"I feel" -- and this is a direct quote; and this is a release from Senator O'Sullivan; Senator Virgil O'Sullivan noted the Commission previously refused to defer action -- "I feel this was a hasty decision on the part of the Commission."

He said that the Commission indicated: (Reading:)

"The Lands Commission will again be asked to defer action to the bids to be opened, that the contract proposal on which these bids are based is contrary to
every sound principle of resource management by a public or private agency."

These are direct quotes from a press release by Senator O'Sullivan on November 14th.

Now, the thing that I'm talking about is that we're looking forward to opening bids, and we hope to get the highest and best bid, and we want everybody bidding. We're opening those bids on December 11th, which is not very far off.

The Commission understands -- Governor Anderson was not present at the meeting on October 10th, but the very point that he was asking about -- Mr. Cranston, on page 77 of the transcript, stated: (Reading:)

"There's absolutely no legal means available to us to extend the current LBOD contract which is about to expire."

There isn't any question at all in the City's mind, in the State's mind, I'm sure, that what is being done is open competitive sealed bids to be opened on December 11th on a brand new contract because the old contract expires. It goes out of business. And as Mr. Cranston further said: (Reading:)

"If that field were to be shut down, it would result in great injury to the field and to the financial interests of the State of California in that field.

"Continuing operation of the field is in the best interests of the State and prompt action on our part is best calculated to accomplish this."
Now, Senator O'Sullivan prior to the meeting had had several press releases -- business must be a little bit slow down on the farm at Williams, and perhaps he's not been able to keep up with the yellow helping Mr. Davis and the yellow journalism of the Willows Daily Journal, which attacks we resent. They're attacks upon the Lands Division, upon the Attorney General, upon the Commission as well as upon the City of Long Beach, and so are Senator O'Sullivan's and his references. I'm a little heated about this, and I think naturally so, and I think that the State of California should be concerned about it.

Senator O'Sullivan quoted one of the papers: (Reading:) "The State is being cheated of oil lease funds" -- again the confusion about the leasing rather than the operating contract -- "...cheated of oil lease funds by a conspiracy between Long Beach officials and oil interests."

Now, if Senator O'Sullivan said that -- I do not know that he did; I'm reading from a news item -- there is no conspiracy. Ana charge of such is an absolute lie, and I think that rather than a conspiracy to fix prices or anything of the kind, I think there's a conspiracy afoot to sabotage the very effort that this Commission approved, that is, offering a valid and sound contract --

CHAIRMAN CHAMPION: Mr. Desmond, I understand your feelings in this matter. We have had no such communication from
Senator O'Sullivan. It's not in any way officially before his body, and I'm not trying to restrict free speech by anybody, but it just seems to me this is not a forum for arguments outside of the business before us between the City of Long Beach and Senator O'Sullivan.

MR. DESMOND: Right.

CHAIRMAN CHAMPION: So I would ask that except as to the matters which are specifically before us, that you restrict yourself to that.

MR. DESMOND: Fine. Now, the thing that is before the Commission, before the City, is the opening of bids on December 11th, and Senator O'Sullivan's press release which has been referred to and to his contact is a statement made four days after the Commission meeting in which he says: (Reading:)

"I feel this is a hasty decision on the part of the Commission."

Now, Mr. Cranston as the Chairman of the Commission on October 13th took considerable time to say that and to make it very clear: (Reading:)

"We can not defer to those who have asked for this delay because of the time situation, but as for me personally, I don't think any more time is required."

I think he made it very clear that the Commission had studied what was before it and yet we have immediately afterwards by the same man who is not interested in this going out to free competitive bidding ---
CHAIRMAN CHAMPION: I'd like to correct one thing there. You're blaming Mr. Cranston for something I said.

MR. DESMOND: This is Mr. Champion, yes.

MR. CRANSTON: I'll be glad to concur in the remarks.

MR. DESMOND: Thank you. I'm sorry. I meant to say the Chairman of the Commission, Mr. Champion, said: (Reading:)

"In seconding the motion, I'd like to add only because we do feel the pressure of the time situation does not mean at least for me personally I do not think that we have examined every single question that has been presented, looked at every piece of evidence or question that anybody wanted to present to this Board.

"I'm satisfied not only that we ought to act now but that we're acting on a proper instrument on which to act, and I would not like to have the inference so far as our action because we do point out this need for haste. We do that out of deference to the fact that a number of legislators wanted more time to look for it.

"We do not -- at least I myself do not believe that this Commission needs more time for judgment."

And Mr. Cranston had previously stated: (Reading:)

"I believe that the contract which is before us provides the soundest vehicle available to us under prevailing circumstances for continuance of the operation of that field."
Now, Mr. Cranston also said: (Reading:)

"Of course, if we do not receive what we deem to be satisfactory bids under the proposed contract, we will have no alternative but to reject them, and we will then have to turn to the task of seeking some alternative means of keeping the field going."

Now, this is the very thing I'm talking about. The bids are to be opened on December 11th, and we do not feel that a bad atmosphere should be created by anybody.

I think the people that are going to lose are the people of the State of California including those citizens who reside in the City of Long Beach if there is a continuance of the sabotage of the bidding procedure.

A statement such as was made in the same article which I've just quoted two of the Commissioners on, that the contract proposal is contrary to every sound principle of resource management -- now, Senator O'Sullivan was present on October 10th; Senator O'Sullivan has not offered anything at any time which has been of any advantage.

I think he's best known for the employment -- and he admits that he did this -- the employment of Mr. Chapman and his association that put out the Chapman Report, and I would think that Mr. O'Sullivan would have retired from the field at that time because that report certainly added nothing.

It had a few illegal suggestions that were made but that's all.
CHAIRMAN CHAMPION: Well, here again, even, Mr. Desmond, as a matter of fact I would disagree with you about the Chapman Report, but that isn't a matter that's before us. I think there has been a tendency on the part of everybody involved to confuse two very different contracts and two very different situations. I think talking about the Chapman Report at this time, which goes to a different situation, again tends to do that. And I'd like the discussion this morning as on the contract which is now out for bid, and I'd like to keep it there. That may prove impossible but it would be nice if we could.

MR. DESMOND: The City of Long Beach has been in this for a long, long period of time. U. S. versus California was decided in 1947 -- the City of Long Beach -- I won't go into any period of time on this -- but the City actually was in the forefront of the defense of the State rights and the question of whether or not the three-mile limit.

Now, this -- I'm leading up to, I think, a very important point. Since 1946 the City of Long Beach has turned over under its oil contracts, existing oil contracts, approximately two hundred million dollars to the State of California.

The City has recently, with the State of California, over a period of two years' time, worked out a settlement which was extremely satisfactory, I'm sure, from the State's standpoint in the federal suit for subsidence in the shipyard.
area, and that was approved by the legislature without any negative votes in either house, U. S. versus Anchor Oil; and one of the other items that may be referred to, if you have a report on the pending legislation, is the Twombly case, the City of Long Beach is a defendant along with the State of California, along with you Commissioners in the case in federal court.

The Twombly case is brought by a taxpayer who takes the position that the City's title to the tideland areas is derived not from any grants back as far as 1911 and the subsequent ones in 1925 and '35, but by the action of the Supreme Court in 1953.

Now, the City of Long Beach, working along with the State as it has in all of these procedures, has taken the position that we are bound by all of the trust restrictions, and this matter is now pending before the circuit court, and the City of Long Beach is still taking that position, but there's very little encouragement to the City in this pending contract if the matter of bidding is discouraged, and I'm talking about the Harbor Oil contract, which bids are to be opened December 11th.

We feel that that's the proof of the pudding, but if the bidding market is going to be sabotaged, then I feel that the City is not very much encouraged to work on this or on future oil developments.

Now, Mr. Thomas who wrote the letter at the request
of the Joint Legislative Audit Committee -- this is not on the agenda but I say it in passing -- has come up again with an idea that he's proposed a number of times. He's told me -- well, this is one of the things that he brings up occasionally to stir up the Los Angeles Harbor Commission, and he's now proposed that the City of Long Beach and the City of Los Angeles have a joint port operation.

Now, it does not seem to me that with the example that we have in oil development in Los Angeles that this should be held up as a model. We do not want to get into the fights that Mr. Yorty has with the various commissions, with the various segments of his community, and we know that the Los Angeles Harbor Commission has considered this at various times. They do not feel that such a proposal would be satisfactory; yet this is the proposal made again by Mr. Thomas within the last two weeks period of time. We feel that what is proposed here is best for the State, and we hope that we have just as many kids as possible to open on December 11th.

CHAIRMAN CHAMPION: Thank you, Mr. Desmond. At least thank you in part. I think only part of what you say bears directly; I think that as far as some of what you said, this is not the proper forum to discuss Los Angeles port operations and so on unless we have the matter before us.

But I'll simply say that the views of the speaker were his own and not to be associated with the forum in which they were made.
MR. DESMOND: I understand. And, Mr. Chairman, at some time — and I do not mean to be impertinent, but I'd like to know what anyone feels is the value of the Chapman Report, and I mean that most sincerely, we'll discuss that perhaps at another time?

CHAIRMAN CHAMPION: All right. Fine. We'll be glad to do that.

I do wish, however, to associate myself with the feeling that it is important that bidders understand that there is absolutely nothing interrupted about this process, that every official body has taken every official action -- the record is completely clear -- and there's no reason why there should be any hesitation about bidding on this replacement contract at Long Beach, that that is a clean record and hopefully will remain one.

Is there anything further on this subject?

(No response.)

If not, we'll pass on to the next item on the agenda.

(Whereupon Item Classification No. 3 on the agenda was taken up by Chairman Champion, and is continued on the following pages.)

---o@o---
"Permits, easements, and rights-of-way granted to public and other agencies at no fee, pursuant to statute."

"(a) Fort Hueneme Sanitary District.

"Amendment of Life-of-Structure Permit P.R.C. 1560.9, Ventura County, to delete present legal description and substitute a legal description that will include the area covered in original permit plus additional area needed for a 4000-foot-long extension to existing sewer outfall."

"(b) State of California, Department of Fish and Game.

"Amendment to Letter Permit P.R.C. 3009.9, San Pedro Channel, Orange County, altering the legal description of the center points of fish-propagation reefs."

"(c) State of California, Department of Water Resources.

"Issuance of replacement of right-of-way easement P.R.C. 2638.9 for a period of three years, covering 0.019 acre tide and submerged lands in Suisun Bay, Contra Costa County (used for submarine cable that services current meters in the Bay and recording equipment on Mallard Island)."

GOVERNOR ANDERSON: I move them.

MR. CRANSTON: Second it.
CHAIRMAN CHAMPION: They stand approved and unanimous.  (Reading:)

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

"(a) Humble Oil & Refining Company

"Deferment of drilling requirements, State Oil & Gas Lease P.R.C. 186.1, Belmont Offshore Field, Orange County, through June 30, 1964. (Difficult to program new development operations because under certain conditions an expansion of the Long Beach Unit could include leased area.)"

"(b) Huntington Signal Oil Company.

"Acceptance of quitclaim to terminate State Oil & Gas Lease P.R.C. 994.1, Huntington Beach Oil Field, Orange County. (Lessees have concluded that it is no longer profitable to operate the lease.)"

"(c) Richfield Oil Corporation

"49-year easement, 5.5 acres tide and submerged lands of the Santa Barbara Channel, Santa Barbara County (for submarine flow lines from Well No. 308-2 to onshore point about one-half mile west of Coal Oil Point). Annual rental, $156.24.

"(d) Rio Ramaza Community Services District

"15-year lease of 3.28 acres tide and submerged lands, Sacramento River, Sutter County (for a small
craft marina). Annual rental, $1,357.10."

MR. CRANSTON: Move approval.

GOVERNOR ANDERSON: Second it.

What is involved in Item (a)?

MR. HORTIG: The existing State Oil & Gas Lease on which Humble Oil & Refining Company are now the lessees, which has approximately 50 producing wells operating thereon drilled from that one offshore island at Seal Beach, which you have visited, Governor, immediately adjoins what may become -- it's been designated as Tract 2 in Long Beach, which can become part of the Long Beach Unit Development, and therefore future contemplation of proper coordinated operation of both the areas within the City of Long Beach and this adjoining State Lease in Seal Beach would indicate that future development programs should be undertaken so as to be compatible with the type of development that is undertaken, prepressuring programs, et cetera, on the Long Beach Unit when that is formalized.

So in the interim it would be literally and virtually impossible to program any new additional development under the existing lease, and therefore the operator has proposed that they be granted a deferment of additional drilling requirements until such time as a logical and effective program can be devised.

In the meantime, of course, they continue with full production from the existing development.
GOVERNOR ANDERSON: This would be of perhaps mutual benefit then to the State. We wouldn't want them to produce, to develop in any way, under the present situation, would we?

MR. HORTIG: This is correct.

GOVERNOR ANDERSON: Actually it's as much to our benefit not to encourage any other development here until we know actually what we're planning.

MR. HORTIG: Until we can develop an optimum plan for the future, that is correct, Governor.

CHAIRMAN CHAMPION: It's been moved and seconded. If there's no comment, stand approved unanimously. (Reading:)

"5. Selection and sale to American Potash and Chemical Corporation of 40 acres vacant Federal land, Inyo County, at appraised price of $2000."

GOVERNOR ANDERSON: I'll move it.

MR. CRANSTON: Second it.

CHAIRMAN CHAMPION: Stand approved. (Reading:)

"6. Approval of Map of Resurvey of Surveys Nos. 88 and 89, Swamp and Overflowed Lands along the shore of Suisun Bay and Hastings Slough, Contra Costa County; and approval of boundary agreement between the State of California and Elouise Hawley, Allied Properties, a California corporation, V. P. Baker, Karl B. Rodi and A. J. West, along Hastings Slough, a tidal, navigable waterway excluded from private
ownership by this resurvey."

MR. CRANSTON: Move approval.

GOVERNOR ANDERSON: Second it.

CHAIRMAN CHAMPION: Stand approved. (Reading:)

"7. Issuance to Blomquist Oil Service, Inc. of

mineral extraction lease for 370 acres submerged land,
San Pablo Bay, Contra Costa County, at minimum royalty
of $0.08 per cu. yd., plus an increment of 10 percent
of the gross sales price in excess of $0.42 per cu.
yd. for all sand extracted."

MR. CRANSTON: Move approval.

GOVERNOR ANDERSON: Are they selling this to someone else?

MR. HORTIG: Yes. This will be processed and resold

as commercial aggregate.

GOVERNOR ANDERSON: And this will be a continuing

process then?

MR. HORTIG: This is correct. And the only basis

for authorization of this type of removal is a removal mineral

extraction lease pursuant to public bidding, and this is the

high bid received for this particular offer previously

authorized by the Commission.

GOVERNOR ANDERSON: I'll second it.

CHAIRMAN CHAMPION: Stand approved unanimously. (Reading:)

"8. Authorization for Executive Officer to execute

interagency agreement with Colorado River Boundary
Commission, providing for rendering of engineering, administrative, and other services to the Boundary Commission for the 1963-64 fiscal year, at Commission's actual costs not to exceed $7000."

GOVERNOR ANDERSON: I move it.

MR. CRANSTON: Second it.

CHAIRMAN CHAMPION: I'm in agreement, but I'd like to ask, what further functions do the Colorado River Boundary Commission actually have?

MR. HORTIG: We are presently, with my Boundary Commission hat on, in negotiating and completing service contracts with U. S. Coast and Geodetic Survey and Bureau of Land Management of the Department of Interior for surveys and mounting of the boundary location previously selected by the Joint Boundary Commissions of the two states.

After those surveys are completed, reviewed and accepted, they will become on motion of the Joint Boundary Commissions appendices to the Interstate Compact, which will then be offered to the Congress for ratification and approval as an Interstate Compact.

As of the time of ratification then there will only be the question of whether there should be any further continuity in terms of having a body to reflect the date and interpret the results of the Compact.

Over and beyond that at that time the Boundary Commissions will have no further function.
CHAIRMAN CHAMPION: I would hope we could do that without a separate commission and staff, that one thing would end when its function ended.

MR. HORTIG: These data could and it has been suggested but that it not be expressed in legislation -- these data could logically for example be made the subject of repository and interpretation by the State Lands Commission.

CHAIRMAN CHAMPION: It seems to me that this is a normal function of the Lands Commission and requires no further special body.

Well, the matter stands approved for the '63-'64 fiscal year.

I have one problem which came to me, and I don't know whether you got a copy and I'm sorry I didn't bring it with me -- I received a communication yesterday from Shell Oil with respect to the matter we had before us at the last meeting. Did you get a copy of that?

MR. HORTIG: Yes, sir, I received a telegram this morning.

CHAIRMAN CHAMPION: Would you read it so that the Commission could consider it?

MR. HORTIG: (Reading:)

"Shell Oil Company made application September 20th, 1963, for geophysical permit covering inland water Sacramento River and Honker Bay areas. Application was processed by State Lands Division staff and placed
on agenda as Item II for meeting of State Lands Commission November 6th, 1963. Due to conflict in language recited in current geophysical permits for offshore operations and Public Resources Code Section 6826 Shell's application was deferred. Shell requested placing supplemental item on agenda for meeting of State Lands Commission Thursday, November 21st, 1963, whereby conflict in language would be corrected. Due press of other matters of importance to come before State Lands Commission at November 21st meeting State Lands division staff unable to complete processing of geophysical permit as supplemental item. In view of fact that Shell has seven seismic vessels standing by at considerable expense, we respectfully urge the Commission approve issuance of a geophysical permit incorporating revised language at November 21st meeting. Shell will have representative present prepared to discuss the matter if the Commission desires. Shell Oil Company, D. E. Clark, Manager, Land Department, Los Angeles, California."

CHAIRMAN CHAMPION: Is there any way in which we could accommodate Shell Oil Corporation in this respect?

MR. HORTIG: There is no way, Mr. Chairman, that the staff could give the Commission a recommendation this morning because the subject matter of the revised language and the grounds of previous protest by Shell as to the existing
language in permits which the Commission could issue is under active review in the Office of the Attorney General as to the legal matters and historical review in State Lands division offices, and this review has not been completed.

I would like to report to the Commission --

CHAIRMAN CHAMPION: Does it appear that the revised language, at least if it is legally sufficient, will be technically sufficient for meeting the requirements of staff?

MR. HORTIG: We do not believe, from our present knowledge of the matter, that there will be any difficulty in accomplishing revised language which will be satisfactory, which will comply with the statutes and will be recommended by the staff and will be acceptable to industry.

The problem that is being researched at the present time is to be assured that when the Commission does adopt the revised language that precedents are not created thereby to indicate that the Commission abdicate or surrender any of the rights it had under the previous permits, under the different language which has been contested by Shell.

CHAIRMAN CHAMPION: Let me ask this. Is it likely that you would be in a position relatively soon to make a formal recommendation to the Commission?

What I'm looking for is, if there's a possibility that we might set up some method without a formal or further formal meeting, either telephonically or otherwise, to get this thing approved?
If there are indeed seven tankers sitting waiting on this thing, we've got to do the whole job, but there's no reason to keep it until another formal meeting if something can be arranged.

MR. HORTIG: I submit respectfully that the fate of these seven geophysical vessels does not depend on this one permit.

On the other hand, we have in contemplation in the immediate future, and there is a possibility and this one is again being evaluated, of starting out in effect with a new series of permits and reserving the right to discuss and resolve the problems under the previous set of permits without creating any adverse precedents, that under those circumstances on which we anticipate having a report by next week, it would have been my recommendation that the Commission consider a brief special meeting of the Commission in order to accomplish the necessary authorization so that geophysical explorations can go forward again.

CHAIRMAN CHAMPION: Does this require a special meeting?

MR. HORTIG: It does require a special meeting on notice -- telephonic meetings are not authorized, we are informed by the Attorney General.

CHAIRMAN CHAMPION: Well, the Lieutenant Governor's office has expressed the wish to have such a meeting -- would the spokesman for Shell like to address himself to this problem?
MR. KARSHNER: Yes. Commissioners and gentlemen, my name is R. F. Karshner, K-a-r-s-h-n-e-r, Shell Oil Company of Los Angeles.

We were hopeful that this matter might be possibly considered, realizing that there was the certain possibility that it could not be done, and if it can not be done without a special meeting, why, we certainly concur in the judgment of the Commission.

CHAIRMAN CHAMPION: All right. Thank you.

MR. KARSHNER: Thanks very much.

CHAIRMAN CHAMPION: Part of the problem here, and I think it also goes to the Long Beach problem, I don't think the Attorney General has ever been so preoccupied with so many problems with the Lands Commission in the history of that office, and I think we have to bear with him a little bit because they have so many problems in trying to get to each of these new ones as they come along.

I assure you they're being extremely diligent about it and as a matter of fact rendering remarkable service to the Commission, but the flood of demands is pretty heavy.

MR. HORTIG: Mr. Chairman, if I might, I think your same comments also apply to problems before the staff of the Lands Division as well as with the Attorney General's.

CHAIRMAN CHAMPION: Well, in my capacity as Director of Finance, I'll have to hear that plea some other time.

Is there any further business to come before the
Commission?

Oh, we have the reconfirmation of date, time and place of next Commission meeting. Is it satisfactory with you?

GOVERNOR ANDERSON: Yes.

MR. CRANSTON: Yes.

CHAIRMAN CHAMPIGN: All right, the next meeting of the Commission will be 10:00 a.m. Thursday, December 19th, in Los Angeles.

And we stand adjourned.

(Whereupon adjournment was had at the hour of 11:00 o'clock a.m.)

---o0o---
REPORTER'S CERTIFICATE

This is to certify that I, ALEX C. KAEMPFER, a duly qualified Certified Shorthand Reporter, was present at the time and place the foregoing proceedings were had and taken before the State Lands Commission of the State of California, in Room 2170 State Capitol Annex, Sacramento, California, commencing at the hour of 10:20 o'clock a.m. thereof, on Thursday, the 21st day of November, 1963, and that as such reporter I did take down said proceedings in stenotype writing, and that thereafter I transcribed my stenotype writing into longhand typewriting, and that the foregoing pages beginning at the top of page 1 to and including line 9 on page 30 hereof constitute a true, complete, accurate and correct transcription of the aforementioned stenotype writing.

Dated this 24th day of November, 1963.

[Signature]

Certified Shorthand Reporter