TRANSCRIPT OF
MEETING
of
STATE LAND COMMISSION
LOS ANGELES, CALIFORNIA
January 30, 1964

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

OFFICE OF ATTORNEY GENERAL:

Mr. Howard S. Goldin, Assistant Attorney General

APPEARANCES:

Mr. Orlando B. Foote, County Counsel
County of Imperial

Mr. Harold A. Lingle
Deputy City Attorney, City of Long Beach

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MR. CHAMPION: The meeting will please come to order. We do not have any report on when Controller Cranston will be here, so we will proceed with the agenda.

Before we turn to the first item on the agenda, however, I want to take note of a communication from Senator Fred Farr, who is the Chairman of the Senate Permanent Factfinding Committee on Natural Resources. He sent in a resolution, and I will omit the "whereas's" -- but the resolution is that the State Lands Commission is hereby respectfully requested to not approve any contracts for the production of oil, gas and other hydrocarbons from tide and submerged lands deeded in trust by the State to the City of Long Beach until the Senate has considered the subject of this resolution in Extraordinary Session in 1964.

I don't think this requires any formal action of the Commission. There is no contract before us now or prospectively for some time. Discussions have been going on between us and the City, but for the moment these have come to a halt pending the legislative session. The Governor hasn't said definitely that he will put this before the legislative session Monday, but it is expected he will; and, of course, we will not act while they are working on it. I don't think, however, it requires any formal action by this Commission.

(Mr. Cranston entered at this time)

MR. CHAMPION: (continuing) I just took formal notice of the resolution of the Senate Factfinding Committee on
Natural Resources, pointing out that we do not now have a contract before us and there would not be anything to act on, so it does not require any more than that recognition; and I have, in the name of the Commission, so informed Senator Farr, Chairman of the Committee. Do either of the members of the Commission want to make any further statement on the subject?

GOV. ANDERSON: You covered it pretty well.

MR. CRANSTON: Yes.

MR. CHAMPION: All right. We will proceed, then, to the agenda. Confirmation of minutes of meetings of October 10th and November 6th.

GOV. ANDERSON: I'll move it.

MR. CRANSTON: Second.

MR. CHAMPION: Stand approved. Permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statute:

City of Los Angeles — Life-of-structure permit, 0.1 acre tide and submerged lands in Santa Monica Bay, Los Angeles County, to cover the extension of an existing storm drain.

County of Sacramento — Amendment of Right-of-Way Permit P.R.C. 2634.9, crossing tide and submerged lands of Georgiana Slough, Sacramento County, for construction and operation of facilities to service the County Sheriff's Boat Patrol.

State of California, Division of Highways —
Amendment to Agreement P.R.C. 572.9, for additional right-of-way over two acres submerged lands of the Colorado River near Needles, San Bernardino County, to provide for protection, construction, and use of State Highway Route No. VIII-S8d-58P.

Vista Sanitation District -- 49-year life-of-structure permit, 5.36 acres tide and submerged lands in Gulf of Santa Catalina, South of Carlsbad, for construction and maintenance of an ocean outfall line to service sewage treatment plant.

GOV. ANDERSON: I move them.

MR. CRANSTON: Second.

MR. CHAMPION: Any questions? (No response) Stand approved.

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

William H. McLendon and Verlin McLendon -- Sublease of P.R.C. 226.1, covering 4.30 acres tide and submerged lands of Napa River near Vallejo, Solano County, to Walter W. Wilson, for operation of a boating facility.

Pacific Gas and Electric Company -- 49-year easement across 0.115 acre sovereign land, Novato Creek, Marin County, for overhead wire-crossing; total rental $319.97.

Pacific Gas and Electric Company -- 15-year easement lease, 6.246 acres sovereign land, Petaluma River, Marin and Sonoma counties, for overhead wire-crossing for transmission of power for commercial purposes; annual rental $248.25.
MR. HORTIG: Mr. Chairman, as to item (d), Phillips Petroleum Company, we have received a letter requesting that this item be withdrawn from the agenda.

MR. CHAMPION: I will omit item (d).

Don C. Hibbert -- Two-year prospecting permit, 41.32 acres vacant State school land, San Bernardino County, for all minerals other than oil and gas, at standard royalty rates for any lease issued pursuant to the permit.

Union Oil Company of California -- Approval of location and construction of a stationary pile-supported drilling and production platform, approximately 11,000 feet from shore, within area of Oil and Gas Lease P.R.C. 3033,1, Orange County.

MR. CRANSTON: Move approval.

GOV. ANDERSON: That is the one -- item (f) -- where we have the drilling with derricks on the platform?

MR. HORTIG: Yes, sir.

GOV. ANDERSON: When does that come down?

MR. HORTIG: When development is completed in terms of drilling the maximum number of wells which is found to be economically justifiable on the lease. Then the drilling derrick, which is the massive 160- to 165-foot structure on top of the platform, is removed. Nominally, these operations are conducted by a service operator, who then removes the derrick at that time and further remedial production operations are usually performed on the platform with a portable
mast or smaller production derrick, 60 or 70 feet shorter than the drilling derrick used for the well.

GOV. ANDERSON: I know you answered my question, but I'd like to get some idea of time when it is all through. We will have this platform, which sits up there 60 feet above sea level and on top of that this 160-foot derrick. When would you estimate the derrick would be off of there?

MR. HORTIG: A minimum time of two to three years, although it could take longer.

GOV. ANDERSON: In other words, we can expect to have a 200-foot thing sitting up there for a minimum of two, and possibly five years?

MR. HORTIG: This is correct. On the other hand, of course, it must be recognized that this particular platform is farther out to sea than the now existing platform in Huntington Beach, which has a similar derrick arrangement, and as such isn't as readily visible from the shore; and at two and two-tenths miles, it actually takes a reasonably clear day to distinguish the platform and derrick from a ship at sea.

GOV. ANDERSON: I am not objecting to this, but I wanted to point out that we are winding up here for several years with another structure that can be seen from the shore, sitting up there 200 feet high. I was wondering how much of this we are going to do and if we are thinking of keeping the beauty of our shore. I just wanted to raise this question.
I think it is something we ought to be aware of.

MR. CHAMPION: I quite agree with you. Is there a prospect that there will be more of these in the same areas, that there will be a steady planning of these platforms out there?

MR. HORTIG: It could be. There is, although, not at the rate of one per lease -- because as adjoining areas are leased, it sometimes becomes economically feasible and actually economically necessary to use one platform for developing more than one lease area. Additionally, certainly if at times it is economically feasible, all other factors considered, they would go to ocean floor development and slant drilling.

GOV. ANDERSON: How much of the area would this cover if it went to its capacity?

MR. HORTIG: The question is complicated by the fact, Governor, that this depends upon how deep the oil reservoirs are located. The shallower they are located, the less area can be covered by slant drilling; the deeper they are located -- and we do not know with certainty how deep these reservoirs are located, because we are just starting on this; actually we have drilled from onshore horizontally a distance of two miles -- it can be done if the oil reserves are so distributed with respect to the location of the platform. Actually, this particular lease on which this platform is located isn't that large, in the first instance,
GOV. ANDERSON: My thought was that we could wind up with a sort of orchard of oil wells there out in an area spaced a mile apart, or half mile apart.

MR. CHAMPION: I'd like to suggest that the staff might take a look at the areas in which we are leasing and come back with a report of what kind of prospect we face here and whether we should limit this or not.

GOV. ANDERSON: Some time back we were talking about this new method, in which they have this on the floor of the ocean. We have heard a lot about that and I have not heard much about it since.

MR. HORTIG: We now have off Santa Barbara coast the largest number of ocean floor producing oil wells in the world -- upwards of fifteen.

GOV. ANDERSON: Why wouldn't we use these platforms here?

MR. HORTIG: One, there is greater water depth and platforms become exceedingly expensive in greater water depth; secondly, there is the matter of esthetics and objections offered by the local boards of supervisors or communities at the time such hearings were held by the State Lands Commission.

GOV. ANDERSON: You mean there are more objections off the Santa Barbara coast than in this area?

MR. HORTIG: And these have been voiced.

MR. CRANSTON: Has Orange County been fully aware of this?
MR. HORTIG: Yes, sir. Hearings were held on the operation and objections were few.

GOV. ANDERSON: If they were a better potential, would they use them?

MR. HORTIG: Within reason. The only request was that these platforms be kept a mile offshore. This one we are discussing is two and two-tenths miles offshore.

MR. CHAMPION: I think we ought to consider more than whether there is a vocal protest in a community, and take a look and see whether there should be a requirement, particularly as to the new leases.

MR. HORTIG: I should bring to the attention of the Commission that the statutes require, in connection with any permanent placement offshore, a review of the placement by Beaches and Parks of the Resources Agency, as to whether such operation will interfere with the recreational use of the beach areas; and all of these platforms approved by the Lands Commission have been cleared by Beaches and Parks prior to that.

GOV. ANDERSON: After five years have gone by and the 150-foot derrick is taken off, how long would the floating platform be there?

MR. HORTIG: For so long as oil and gas are produced.

GOV. ANDERSON: We have to think of what?

MR. HORTIG: Forty or fifty years.

GOV. ANDERSON: I think we have to realize this.
MR. CHAMPION: I think so, and I would like to see a staff analysis of what we are facing out there and whether we want to effect a stricter regulation on the use of platforms.

I have a motion to approve the items.

GOV. ANDERSON: Second.

MR. CRANSTON: With the exception of item (d).

MR. CHAMPION: With the exception of item (d), which was stricken. Seconded. Any questions? (No response)

Stand approved.

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

(a) Determination of subsidence costs subsequent to April 1, 1956, and of the State's share of such subsidence costs in the Port of Long Beach authorized fund expenditures Nos. 10, 14, 204, 334, and 355, deductible from oil revenue payable to the State (under the provisions of Section 5(a)(1) of Chapter 29, Statutes of 1956, 1st E.S.) to be shown on Exhibit A; and authorization for execution of appropriate instruments to make the necessary adjustment. Total credit due State, $999.75; total credit due City, $4,655.13.

I think we ought to treat that as a separate item.

What is the pleasure of the Commission?

MR. CRANSTON: I move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: Stands approved. (b) Authorization
for Executive Officer to execute, as of December 20, 1963, the collateral agreement relating to the "Drilling and Operating Contract (Long Beach Department Tidelands Parcel)", by and between the Board of Harbor Commissioners of the City of Long Beach and the State of California.

MR. HORTIG: The Commission will recall having approved the award of a contract by the Long Beach Harbor Commission for the Long Beach Harbor Department parcel, for which the existing contract expires March 20th of this year. The City of Long Beach -- specifically, the Harbor Commission -- accepted the form of collateral agreement required by the Lands Commission as a condition of approval of the award. Under our current statutes, before execution of the same collateral agreement already accepted by the City and on behalf of the Commission, there must be a specific resolution authorizing the Executive Officer to execute on behalf of the Lands Commission -- and that is what is sought by this recommendation.

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

GOV. ANDERSON: I'll move it.

MR. CRANSTON: Second it.

MR. CHAMPION: It has been moved and seconded. Any questions? (No response). Stands approved.

Exchange application of Delbert J. Sargent. Progress report re negotiations looking toward the continuation of Mr. Sargent's tropical fish hatchery operations through a lease
arrangement with the County of Imperial.

Do you wish to speak to that, Mr. Hortig?

MR. HORTIG: Yes, Mr. Chairman. Pursuant to the
suggestions of the Lands Commission at the last meeting where
this item was considered, the County of Imperial undertook
negotiations and conferences and the proffer of a form of
lease arrangement to Mr. Delbert Sargent. Mr. Sargent was
notified by letter, which he has acknowledged he has received,
that this matter would be on the agenda today.

Representatives of the County of Imperial are here
and have reported by letter that, despite their attempts at
negotiation and offer of lease, Mr. Sargent has not concurred
or agreed with them on any details or even general provisions
of such a lease, and as of 9:25 a.m., this morning Mr. Sargent
telephoned and stated that he would not be present, that he
was unable to reach his attorney and, therefore, would not
be represented at the meeting today, and asked for a continu-
ance of this matter until the February meeting of the Commiss-
ion. Under the circumstances, I believe it might be
advantageous to the Commission to have a brief summary report
of the activities that have been conducted by the County of
Imperial on their own behalf in this matter.

MR. CHAMPION: Is there a spokesman here for
Imperial County?

MR. FOOTE: Mr. Chairman, I am Orlando Foote, Imperial
County Counsel. There have been, as Mr. Hortig noted, extended
negotiations. These negotiations are outlined in a letter, which I hope reached you gentlemen. There is a rather substantial delegation from Imperial County, consisting of Mr. L. H. Dowe, Chairman of our Board of Supervisors; Mr. Carey, member of the Board of Supervisors; Mr. David Pierson, Director of Public Works; and Mr. Albert Haberger, our County Administrator.

Pursuant to Mr. Sargent's request to the Board of Supervisors, the Board appointed Mr. Haberger, our County Administrator, as its representative to negotiate with Mr. Sargent, with the prospect of reaching an agreement with respect to this lease arrangement. Mr. Haberger, I believe, is well qualified to give to you gentlemen a report on the situation.

MR. CHAMPION: Would this be in substance what was given to us in writing?

MR. FOOTE: Yes, it would.

MR. CHAMPION: Have you had an opportunity to examine this?

GOV. ANDERSON: No, just a cursory examination.

MR. CHAMPION: Would you like to have Mr. Haberger speak briefly? Our own impression was that the County had carried forward negotiations in good faith and made a reasonable offer. I don't know whether the other members of the Commission feel the same way or not.

GOV. ANDERSON: What about the suggestion, inasmuch
they haven't got together, of some method of arbitration?
Wasn't that suggested?

MR. HORTIG: This was suggested by Mr. Sargent.

MR. FOOTE: This was suggested by Mr. Sargent late
in January. Well, I shouldn't say late in January -- late
in the course of the negotiations, after he appeared before
the Board of Supervisors on December 18th and requested that
the Board appoint Mr. Haberger to represent the Board in its
negotiations. In other words, Mr. Sargent in the first re-
quest made the attempt to obtain one individual to deal with
insofar as the County was concerned, and then at a later
date when the Board had turned the matter over to Mr. Haberger,
made a further request that the Board in conjunction with Mr.
Sargent appoint a board of arbitration.

Feeling that this matter had progressed to the
point where an agreement at least equitable with Mr. Sargent
was possible, the Board felt nothing would be gained by
appointment of an arbitration board, so to speak, in midstream.
For that reason, no action was taken on Mr. Sargent's request.

GOV. ANDERSON: I had in mind something along the
lines of each side appointing someone, the two people appoint-
ing a third person to form an arbitration board of three
people. We have never got to this stage, have we?

MR. FOOTE: No sir, we haven't.

MR. SIEROTY: I would suggest that we hold off
discussion until next month. I knew the gentlemen from
Imperial County are here and have taken their time, but it seems to me it wouldn't be fair to Mr. Sargent to allow a presentation to the Commission without his being present, and I would suggest we ask Mr. Sargent to come into the next Commission meeting in Los Angeles.

MR. CHAMPION: He was afforded every opportunity to be here today.

MR. CRANSTON: Just what was the reason advanced for failure to be here? There was a communication from him?

MR. HORTIG: Yes. The first communication on the subject yesterday afternoon by telephone was to the effect that he had not been notified that this matter would be on the agenda. He concurred, when questioned specifically as to whether he had received the written notice from the Lands Commission dated January 8th, that he had received this notification; that there had been no change in the specification of time and place of the meeting, but that he had simply assumed that because the County had submitted additional material to the Lands Commission that this for some reason had altered the agenda for the Lands Commission.

MR. CRANSTON: What is your recommendation, Frank?

MR. HORTIG: My recommendation is that the Commission give consideration to the request of the County of Imperial here today for action by the Lands Commission; that for two months this matter has been pending with the State Lands Commission; Mr. Sargent has, as the Chairman pointed
out, been afforded every opportunity to participate, to make
submittals, and has had his negotiation period with the
County of Imperial -- which, from the written report from
the County of Imperial, indicates specific offers, no counter
offer by Mr. Sargent other than request for further delay,
even as with the request for further delay in consideration
of this matter by the Lands Commission here today.

MR. CRANSTON: In what form is the County request
now before us? Exactly what do they ask us to do?

MR. HORTIG: The County's request is that the
application pending with the Bureau of Land Management, filed
by the State Lands Commission to secure the subject lands for
ultimate sale to Mr. Sargent, be withdrawn -- which is within
the power of the Commission to do -- in order that the County
may perfect its application with the Bureau of Land Manage-
ment for acquisition of the same lands. There is a possible
basis for settlement for consideration....

MR. CHAMPION: Well, our action would be conclusive
without going to the merits of the controversy, and if we
were to take this action, I think probably we would want to
attach a proviso that the County at a minimum meet the terms
set forth in their offer to Mr. Sargent. The controversy
between the two is really not ours to decide, except that
our action just ends the case, therefore I think we would
want to attach that proviso.

MR. CRANSTON: I would like to move we proceed in
GOV. ANDERSON: What is the County doing that Mr. Sargent asked for, other than what they offered originally?

MR. CHAMPION: Perhaps Mr. Hortig could outline the improvements made in the County's position. They offered them considerably more acreage.

MR. GOLDIN: Mr. Champion, as the Commissioners' legal adviser, if I understand Mr. Hortig's suggestion correctly, he is raising the possibility that the Commission take action with respect to the withdrawal of the Sargent application. Is that correct?

MR. HORTIG: Yes.

MR. GOLDIN: Under these circumstances, I believe it incumbent to point out the nature of the calendar item before you gentlemen this morning. It is true that Mr. Sargent had notice that the matter was going to be considered. However, he was given notice that a progress report would then be presented, rather than notice that action may be taken on the merits of the application. Under these circumstances, I am afraid that it is unduly ....

MR. CHAMPION: I think you are right, Mr. Goldin. The point is well taken. The form of notice on here, as Mr. Goldin suggests, means that we probably cannot take action without having some difficulties involved. I think, however, you now know the sentiment of the board on this thing, and we would hope to conclude it in the next meeting.
MR. FOOTE: Mr. Champion, I would make this request.
At the meeting of November 6th, the Commission expressed sub-
stantially the same reaction -- that you basically favored
the County's position ....

MR. CHAMPION: I don't think the Commission did;
I think I did.

MR. CRANSTON: I expressed no viewpoint at that
meeting.

GOV. ANDERSON: I don't think we ought to give them
the impression we want them to go back and be rough on this
guy. I think we want them to go back and negotiate this
matter. I think the other gentleman has some real points
here that have not been worked out.

MR. FOOTE: We certainly acknowledge Mr. Sargent has
an equitable interest in this, and on that basis have at-
ttempted to negotiate with him. The only observation I was
going to make with respect to what was said at the last meet-
ing is that the matter will be continued for a period of
thirty days and the parties at that time would appear and
make a report with respect to their progress, with a view
toward the Commission taking final action. I believe that
the transcript will bear me out on this -- that this was the
order given -- and I might observe that there is a matter of
terrific urgency in this respect.

There are some seventeen hundred trailers on this
property that the County now owns surrounding mineral wells.
Approximately twenty-three hundred people are using these waters. There is a terrific health hazard, a terrific fire hazard. The only way in which the County would be in a position to control this at this point would be to clear these people out and, of course, we don't want to do that.

On February 4th and continuing through the week of February 4th, we are meeting with prospective bidders on this acreage. We are virtually in the position of having to have this matter settled prior to that time. This was the assumption the County was operating under, based on the Commission's order at its meeting of November 6th. We are in a very difficult position.

MR. CHAMPION: Mr. Goldin, does this in any way alter your view on this?

MR. GOLDIN: No, sir -- for the reason, in turning to the pages of the calendar, it is quite evident that virtually every item has at the bottom a proposed resolution and recommendation; and I believe that it would be reasonable for Mr. Sargent to have inferred that he was not running a risk that the Commission would take action on the merits of the application -- that the worst he would suffer would be an adverse progress report.

MR. CRANSTON: Mr. Chairman, I would like to say, first, I expressed no viewpoint inside this body or outside this body up to this time, because I was deeply concerned with Mr. Sargent's own interest in the time he has been
involved here. In exploring this, I have become convinced
there is an overriding interest in the other direction on
behalf of many, many people who will have the use of this
area if the County's request is granted. So I am now strongly
in favor of doing this, but in terms that do give Mr. Sargent
maximum protection possible. Certainly we don't want to act
in any way that would further snarl matters.

I would like to suggest that, since all the members
of the Commission will be in Sacramento next week, we could
have a meeting briefly. I am sure the three members could do
that briefly next week, because we will all be in Sacramento
when the Legislature meets.

MR. CHAMPION: That would be agreeable to me,
Would that be all right for you?

MR. CRANSTON: The only question would be the legal
problem of how we set that up Monday, Tuesday or Wednesday
in Sacramento.

MR. HORTIG: Mr. Chairman, may I suggest if there
is contemplation of such a meeting that we anticipate it
not be set any earlier than the latter part of next week,
because Mr. Sargent cannot be contacted by telephone; he
can only be contacted by registered mail, which he drives
into ....

MR. CRANSTON: Frank, I suggest we cut through
matters of that kind. I suggest we send somebody down to
give him notice that we will have a meeting Monday, Tuesday
or Wednesday. I can only appear early in the week.

MR. CHAMPION: I am sure the members of Imperial County will give him such notice.

MR. FOOTE: We will be happy to do that.

MR. CRANSTON: I would suggest we meet Wednesday morning at any convenient time. (Some discussion between members). Nine o'clock Wednesday morning, February 5th, in Sacramento.

MR. CHAMPION: Unless there is objection, that will be the order then. This matter will be put over until nine o'clock Wednesday, February 5th, in Sacramento.

MR. FOOTE: Mr. Chairman, may I make one ....

MR. CRANSTON: Let's be clear that the staff and the County are instructed to see to it that physical delivery is made of due and proper notice of this meeting at once.

MR. FOOTE: May I inquire what the action of the Commission will be in the event Mr. Sargent still maintains his unavailability at that time?

MR. CHAMPION: We can't forecast that. Mr. Cranston has made a complete statement of his position, and I have made one of my position. I think we would be ready to act at that time, but Mr. Sargent should be contacted and every effort should be made to work out an agreement with him to the extent that it can be done; but under notice that we will act at that time.

MR. FOOTE: Thank you.
MR. CHAMPION: Authorization for Executive Offices to initiate procedures for consideration of amendment of Section 2100 (f)(5), California Administrative Code, Title Division 3, Rules and Regulations of the State Lands Commission, as proposed in Exhibit A. Mr. Hortig?

MR. HORTIG: Mr. Chairman, the rules and regulations relating to geological exploration permits have the same language as a basis of possible ambiguity of interpretation that the former geophysical exploration permit previously had in it, which surplus language was removed from the form of geophysical exploration permit at the last meeting of the Commission. Therefore, to clarify both types of permits uniformly, it is recommended that the staff be authorized to initiate the procedures required under the California Administrative Code to adopt rules and regulations, to strike this same surplus language from the geological exploration permit that was heretofore removed from the geophysical permit, in order that both types of permits conform with the statutory language on these permits.

MR. CRANSTON: So move.

GOV. ANDERSON: Second.

MR. CHAMPION: Stands approved. I would like to take one item out of order. It is an added item on the agenda, which I want to present.

GOV. ANDERSON: And the next one, because I would like to ask a few questions in front of you.
MR. CHAMPION: This is Supplemental Calendar Item 23 -- Salary of Executive Officer - Personnel. At its meeting of December 20, 1963, the Commission took the following action: "The salary for the position of Executive Officer, State Lands Commission, is declared 'open for adjustment' as of January 1, 1964."

Exempt Pay Memorandum No. 9-14 was issued by the Department of Finance in January 1964. This memorandum revised the salary range for the position Executive Officer from $1,225 to $1,490, to $1,351 to $1,642, effective January 1, 1964. Item No. 35, Chapter 8, 1963, First Extraordinary Session, provided for salary increases for many comparable classes in State civil service effective January 1, 1964.

In view of the foregoing, I would recommend that we consider adjustment of the salary of the Executive Officer. The salary is presently set at the maximum of the former range, $1,490. In order for the new range maximum, $1,642, to be effective, action by the Commission is required; and I would recommend we make this change.

GOV. ANDERSON: Then where do we start in this salary?

MR. CHAMPION: He is at the maximum of the present schedule and would go to the maximum of the new schedule.

GOV. ANDERSON: In other words, he would go from $1,490 to $1,642?
MR. CHAMPION: Yes. This is being done throughout the State.

MR. CRANSTON: I second the motion.

GOV. ANDERSON: Do you approve this?

MR. HORTIG: Yes, sir.

MR. CHAMPION: There being no objection, it will stand approved.

We will turn to Item 8 -- Authorization for Executive Officer to approve a natural gasoline sales agreement between Humble Oil & Refining Company, as seller, and Standard Oil Company of California, Western Operations, Inc., as buyer, effective for a period of one year after November 1, 1963, and thereafter until terminated by either party on six months' written notice to the other, for the sale of natural gasoline extracted from wet gas produced under State Oil and Gas Leases in the Huntington Beach Field.

Do you want to hear from Mr. Hortig on this?

GOV. ANDERSON: I want to ask some questions, because I am not quite clear on this. First, is it good to have a contract or agreement that doesn't really terminate? In other words, this is renewed yearly but it is really renewed without looking at it, and if you wish to terminate you have to give six months' notice...

MR. HORTIG: After one year.

GOV. ANDERSON: In this kind of thing, doesn't it tend to just get in the files and go on and on? Isn't it
better to have a definite date for the termination of an agreement, so you take a look at it?

MR. HORTIG: The problem here, Governor, is we are dealing with the natural gas and natural gas products as developed from a State oil and gas lease, and the lease provides in turn that the lessee shall not dispose of the products except pursuant to a sales contract or other form of notification previously approved by the State Lands Commission. We are dealing here with a product which in itself is not part of the competitive public bidding, and the bidding elements relate primarily to the oil royalty and the amount of royalty that is going to be paid on the oil.

The royalty to be paid on gas and gasoline is fixed by statute and, therefore, these contracts, such as are under consideration here, are arms length negotiations by the lessee to sell that product at the maximum price he can get by an arms length negotiation -- negotiation in which the State is not a party and, therefore, not being a party as such, it is not in a position to suggest different forms of contract for the disposal of the product.

GOV. ANDERSON: You wouldn't feel it would then be wise on this kind of agreement to look at it, say, every five years and let both sides know it is going to end at that time? You think it would be just rewriting the same agreement?

MR. HORTIG: Essentially that; and, in addition, there possibly would be a depressing factor in the original
negotiations for a full-term contract, where the contracting parties do not know they are going to have the contract for the full length of the contract, but only five years.

GOV. ANDERSON: This arms-length contract you speak of, is this the only type of contract we do this on?

MR. HORTIG: For the sale of the gas and the gaso-line, where the royalty rate is specified by statute only.

GOV. ANDERSON: That is the only kind? Everything else does have a terminating date?

MR. HORTIG: For every contract where we lease or otherwise convey.

GOV. ANDERSON: If you had the same attitude there, this would be true too?

MR. HORTIG: In the other contracts the State is a party.

GOV. ANDERSON: Then the depressing part would not have anything to do with it?

MR. HORTIG: No.

GOV. ANDERSON: I notice a couple things -- I notice in paragraph three, where the agreement is the highest quoted price for the natural gasoline. Isn't this what we were asking for in the Long Beach situation?

MR. HORTIG: With respect to oil, Governor, this is a different situation again. This was selected as a yardstick by the negotiators for this gasoline.

GOV. ANDERSON: If we can use the highest quoted
price for natural gasoline in this area, why couldn't you use
the same kind of formula for oil? In other words, why do
they agree to it, and why is it so difficult to do in other
circumstances?

MR. HORTIG: Because this is a contract between two
companies, who again feel that they are looking at only their
own intercorporate relationships. A possible change in price
by someone else outside of this contract would not affect and
would neither increase or decrease the cost of the product,
as would be the case...

GOV. ANDERSON: It says also, "Gross market value is
the reasonable market value as fixed by the State."

MR. HORTIG: Unless the products are disposed of
pursuant to sales contract.

GOV. ANDERSON: Approved by the State.

MR. HORTIG: Approved by the State; this is correct.

GOV. ANDERSON: Isn't this in a sense what we were
talking about in the Long Beach situation?

MR. HORTIG: In terms of arriving at a yardstick for
measuring the value of the product, it is correct; but the
same factors that would cause a possible depressing element in
bidding for the oil, as a result of highly variable highest
posted prices which are not truly reflective of the reasonable
market value, would influence the oil more than any problem
with respect to this gasoline -- which, in the first instance,
carries a much lower royalty rate, certainly has a much lower
unit value, and in this instance the yardstick is only as applied between two corporations.

GOV. ANDERSON: It seems to me, in my not knowing too much of this language and the technicalities of this, the very thing we were talking about — I see written in here; and apparently they have no objection that the market value is the reasonable market value as fixed by the State or a contract approved by the State, which again puts us in the picture; and secondly, they agree to the highest posted price. It seemed to me if it can be done in one case, it shouldn't be too difficult to do it in another.

MR. HORTIG: The agreement to use the highest price as a yardstick in this instance, as I said, only affects the seller and buyer corporations in this instance. This is an entirely different operation than an agreement to utilize a highly fluctuating and variable price that could be adjusted by competition to the disadvantage of the parties to the contract. In this instance, no one else can come along and post a higher price and affect this particular sales agreement.

MR. CHAMPION: I think what Governor Anderson is saying — we do have a continuing interest in trying to find an administratively workable method of using the highest posted price if we can do it, and I think all the members of the Commission have expressed themselves on one occasion or another — the difficulty being we have never found an administrative device; and if this offers a possibility, we ought
to look into it. I have had other staff members of the
Department of Finance trying to find a way to do this; they
are working on it now. I think before we act, when and if we
arrive at a new contract proposal with Long Beach, we ought
to go over this subject very carefully again.

MR. HORTIG: I would like to report to the Commis-
sion that definitely from the staff standpoint we have not
stopped working on that, particularly in the pricing area,
with the Long Beach development specifically in mind.

I should like to also point out that there is no
statutory requirement for highest posted price. The statutory
requirement is that the Commission shall specify some method
of pricing which will assure that the State receives returns
based on reasonable market value of the product.

GOV. ANDERSON: I have no objection to this item.
As a matter of fact, I used this item to express my favor of
some of these things. I'll move the item.

MR. CRANSTON: Second.

MR. CHAMPION: Stands approved.

Authorization for Executive Officer to issue a
mineral extraction lease for a term of five years to Stanley
E. Ryerson and Frederick E. Pinner, the highest qualified
bidders, for 80 acres of State school lands that were sold
with mineral reservation to the State, near the City of
Brawley, Imperial County, for the extraction of sand and
gravel, at minimum royalty of ten cents per cubic yard.
GOV. ANDERSON: Move it.

MR. CRANSTON: Second.

MR. CHAMPION: Stands approved.

Proposed Oil and Gas Lease, 3,324 acres tide and submerged lands in Santa Barbara Channel, Santa Barbara County, in the vicinity of the Elwood Oil Field - Parcel 18.

What is the pleasure of the Commission?

GOV. ANDERSON: This is approval of a lease?

MR. HORTIG: No, sir. This is a recommendation for authorization to advertise the next parcel in the Commission's sequential leases.

MR. CRANSTON: It is simply stepping along. I move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: Stands approved.

MR. LINGLE: Pardon me, I understand you have to leave. I am a little confused over your action on the first item, which I understood was that if we brought a contract from Long Beach, it would not be considered. Now, the last action I knew of was a joint meeting where the staffs were supposed to continue working. I am going to have to make a report. I'd like to know if there is any point in these staffs continuing to work together.

MR. CHAMPION: I think there is, Mr. Lingle. I am informed that there has been occasional meeting, that there has been no agreement, that there have been various economic
and other studies going on; and I would assume it would be
to the benefit of both parties to work toward this, but I
think it is unlikely, while this matter is under consideration
by the Legislature, we would reach any final agreement based
on a law which the Legislature is considering changing and
if, as is expected, the Governor specifically opens for con-
sideration Chapter 29 of 1956, I think that the Commission
would have to recognize the Legislature's consideration of
changing that law.

MR. LINGLE: Obviously. I just wanted a
clarification.

MR. CHAMPION: I don't think we should discontinue
our discussions and negotiations.

MR. CRANSTON: Is there reason to think that the
changes which might be enacted would actually have any direct
bearing on the terms of the contract? It would have a bearing
on allocation of whatever funds come in; but it wouldn't have
a bearing on the terms we have been debating among ourselves
in the terms of the contract.

MR. CHAMPION: I would assume from discussions in
committee and elsewhere that there would be changes between
the State and Long Beach beyond the revenues. There would be
imposition of further guarantees the State might seek in the
expenditure of funds; there might be other changes in the law
or consideration of other changes.

MR. LINGLE: Thank you.
MR. CHAMPION: Thank you.

MR. CRANSTON: As far as I am concerned, I would like to have this matter left that I hope there is no delay. I have not expected it to come to us during the next month or two from what I have heard of the negotiations, but I would hope that all possible speed can be carried forward so that this does come to us at the earliest practical moment. At that time, I think we have to see where we are -- as to whether we are going to have a meeting of the minds with relation to what is occurring in the Legislature. I am sure I speak for Hale and the Governor also that we hope to bring this to the earliest possible satisfactory mutual conclusion.

MR. CHAMPION: Is there anything further on this matter? (No response)

(Mr. Champion left the meeting room at this point)

GOV. ANDERSON: Continuing with the calendar, item classification Number 11 -- Service Agreements:

(a) Service agreements with the City of Vallejo on behalf of the State Lands Commission as contractor, to survey, monument, plat, and record the plats of certain tide and submerged lands granted to the City of Vallejo, as follows: Chapter 24/63 (Work Order 4871) -- Services not in excess of $900; Chapter 63/62 (Work Order 4416) -- Services not in excess of $900; Chapter 1507/57 (Work Order 3317) -- Services not in excess of $700.

MR. CRANSTON: I move approval.
GOV. ANDERSON: No objection, so ordered.

Item (b) Service Agreement with City of Crescent City, on behalf of the State Lands Commission as contractor, providing for surveying services to be rendered the City under the provisions of Chapter 977/63, at the Commission's actual costs, not to exceed $2800.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Second. No objection, so ordered.

Item (c) Supplementary agreement to Agreement No. LC-175, dated May 23, 1960, between Remington Rand and the State Lands Commission, to augment, in the sum of $27,000, the funds heretofore provided to perform work in connection with the indexing of lands under the jurisdiction of the United States, pursuant to Sec. 127, Government Code.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Item 12 -- Confirmation of transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1959.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Seconded, and so ordered.

Item 13 -- Informative only, no Commission action required: Report on status of major litigation.

MR. HORTIG: No substantial modifications and there is a written report as contained in pages 32 through 34.
MR. CRANSTON: No action required there.

GOV. ANDERSON: Item 14 is the confirmation of date, time and place of the next Commission meeting. I have just checked my calendar. Your nine o'clock Wednesday is all right -- that's the special meeting you are calling -- nine o'clock in the morning, Wednesday, February 5th, in Sacramento.

MR. CRANSTON: What is the regular next meeting?

GOV. ANDERSON: The next regular meeting -- I think we have made some changes. The next one would be in Los Angeles on February 27th.

MR. HORTIG: On Thursday. These are the dates which are being cleared with all your respective offices.

GOV. ANDERSON: So the next regular one is February 27th, here in Los Angeles. No objection, so ordered. No further business ....

MR. CRANSTON: What about the supplemental items?

MR. HORTIG: There are three more supplemental items.

GOV. ANDERSON: Which supplemental items?

MR. HORTIG: Page 35 and 36, ...

GOV. ANDERSON: Supplemental Calendar Item Number 24 -- Proposed Oil and Gas Lease, Tide and submerged lands, Orange County -- Work Order 4930, Parcel 16A.

MR. HORTIG: Briefly, Mr. Chairman, this is the recommendation pursuant to the bids which were received on January 15, 1964 for lease award of Parcel 16A, Orange County
previously authorized by the State Lands Commission. The
Office of the Attorney General has reviewed and found that
the bid submitted conforms with the requirements specified in
the proposal of the Commission and the applicable provisions
of law and rules and regulations of the Commission.

These bids were also reviewed by the staff as to
technical sufficiency and economic factors; and, therefore,
it is recommended that the highest bid, which was that of
Standard Oil Company of California, with the cash-bonus payment
in consideration of issuance of the lease to be $4,066,676,
should be accepted and the lease awarded.

MR. CRANSTON: So move.

GOV. ANDERSON: And seconded; carried unanimously.

Supplemental Calendar Item 25 -- Amendment of
geological survey permit P.R.C. 2791, Santa Barbara, Ventura,
Los Angeles, and Orange counties; Richfield Oil Corporation,
W.O. 5023. Do you want to explain that, Mr. Hortig?

MR. HORTIG: The proposal is to expand the area
for permitted geological survey exploration to include the
area southerly and easterly from the Los Angeles-Orange County
line down to the northerly and westerly portion of the City
of Newport Beach. This same area is included in other geo-
logical exploration permits held by other permittees. There
are no objections to the issuance of this permit.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Second, carried unanimously.
The last item, then, is the Supplemental Calendar Schedule of 1964 Meetings of the State Lands Commission.

MR. HORTIG: Which, as reported on page 38, has been reviewed with the individual Commissioner's offices and incorporates the changes that your offices had requested.

GOV. ANDERSON: I have no objection.

(Some discussion between members of Commission)

MR. CRANSTON: The three dates that Hale and I would like to have reviewed before we approve this are August 27th, November 19th, and December 30th. So I move that the calendar be approved and we will review those three.

GOV. ANDERSON: I will second these on the advice of Mr. Hortig that he has cleared these with my office.

Any further items?

MR. HORTIG: No, sir.

GOV. ANDERSON: Meeting is then adjourned.

ADJOURNED 11:20 A.M.
CERTIFICATE OF REPORTER.

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing thirty-five 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 January 30, 1964.

Dated: Los Angeles, February 6, 1964. ()

Louise H. Lillico