TRANSCRIPT OF MEETING of

STATE LANDS COMMISSION

Los Angeles, California
July 28, 1964

*********

PARTICIPANTS:

THE STATE LANDS COMMISSION:

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

Mr. F. J. Hortig, Executive Officer

APPEARANCES:

(In the order of their appearance)

Mrs. James P. Crowley, representing Citizens Committee for the Preservation of Public Beaches and Parks

Mrs. Alberta P. Guiver, representing Long Beach Sailing Club, etc.

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

Mr. Arthur O. Spaulding, Petroleum Administrator, City of Los Angeles
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<td>(o) Sycamore Properties</td>
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<td>(p) Tidewater Oil Company</td>
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<td>(a) Final Closing Misc. Proj.</td>
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<td>(b) Roads &amp; Streets Pico Rd., 9th to 3rd St., 2nd phase</td>
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<td>(c) Expenditure L.B. Harbor Dept., not to exceed $1 million for water-injection facilities upland portion Fault Block V Ranger Zone and portion Fault Block IV</td>
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<td>6 Authorization re land in Sec. 36 and Sec. 16, Imperial County to be acquired by Navy</td>
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<td>7 MINERAL EXTRACTION, OIL &amp; GAS LEASES</td>
<td>(a) 57.59 acres Suisun Bay (sand extraction) pursuant to applic. Harry C. Thomsen</td>
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<td>(b) Award of Oil &amp; Gas Lease Parcel 21, Santa Barbara County</td>
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<td>(c) Gas Lease 42nd Dist., Agr. Dist., &amp; Tidewater Oil 46.78 acr, Glenn County Fair Grounds</td>
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<td>(d) Negotiated lease State Dept., Employment and Standard Oil Co. of Calif. 4.07 acres, City of L.A.</td>
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<td>(b) Map 12353, San Mateo Cy.</td>
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<td>(c) City of Benicia</td>
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<td>(d) Coast Capital, Inc., City Newport Beach &amp; State</td>
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<td>(e) Vicinity Las Tunas Beach-agreement with Harold M. and Doreen Field and Emile Maalouf</td>
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<td>10 PROPOSED LEGAL ACTIONS</td>
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<td>(a) Quiet title, etc., against Robert E. MacDonald, Robt. E. MacDonald III and Blair MacDonald, and Monterey Sand Co</td>
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<td>(b) Quiet title 80 acres in Contra Costa County</td>
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<td>11 ADMINISTRATION</td>
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<td>(a) Amendment and adoption of regulations in Title 2, Calif. Admin. Code 2100(F)(5)</td>
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<td>(d) Amendment or revision of Art. 1,2,5,6, of Title 2, Div.3, Calif. Admin. Code</td>
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<td>(A) Policy re offshore drilling on tideland grants within grantee's jurisd.</td>
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<td>(b) Policy re development of petrol, resources in tide and submerged lands under jurisdiction of Commission</td>
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OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
MR. CHAMPION: Call the meeting to order. First item on the agenda is confirmation of minutes of meeting of March 26, 1964. They have been furnished to the members of the Commission.

MR. CRANSTON: I move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: Stand approved as submitted.

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

(a) County of Lassen -- Amendment of Permit P.R.C. 2376.9 by deletion of present legal description and substitution therefor of a legal description that will incorporate an additional area, or a total of 76.08 acres of lands of Eagle Lake, Lassen County (for development of small-boat facilities.)

(b) Department of Water and Power, City of Los Angeles -- Issuance of life-of-structure permit, approximately 0.367 acre tide and submerged lands of San Gabriel River, Orange County (for construction, operation and maintenance of steam plant and necessary appurtenances).

(c) Pacific Telephone and Telegraph Company -- Easement across approximately 4.821 acres tide and submerged lands of Raccoon Strait, San Francisco Bay, Marin County (for purpose of re-establishing telephone service on Angel Island to State Division of Beaches and Parks and to U. S. Coast Guard Station).

(d) City of Rio Vista -- Ten-year renewal of Lease
P.R.C. 434.9, effective July 26, 1964, covering tide and submerged lands in Sacramento River, Solano County (for floating dock and protection of dolphins).

MR. CRANSTON: I move approval of those items.

GOV. ANDERSON: Second.

MR. CHAMPION: Stand unanimously approved.

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

(a) Herman Akers -- Five-year grazing lease, 197.66 acres, San Benito County, annual rental $19.77.

(b) Casiano Land & Livestock Co., Inc. -- Five-year grazing lease, 6,006.66 acres, Lassen County, annual rental $242.67.

(c) Diaz Brothers -- Five-year grazing lease, 2,320.59 acres, Lassen County, annual rental $116.03.

(d) Department of the Navy -- Amendment of Lease P.R.C. 509.2, covering 920 acres of land in the Salton Sea, Imperial County, to reflect a transfer of jurisdiction from the Department of the Army and consequent changes in accountability.

(e) Continental Oil Company -- Acceptance of quit-claim and termination of Oil and Gas Lease P.R.C. 1524.1, Huntington Beach, Orange County, effective June 1, 1964. (No longer economical to operate the lease)

(f) Finley-Carpenter, Inc. -- Issuance of dredging
permit for approximately 200,000 cubic yards of material from
tide and submerged lands adjacent to Petaluma River, Marin
County; 50,000 cubic yards to be deposited on State lands
and 150,000 cubic yards on private lands at royalty of five
cents per cubic yard. (For purpose of developing waterways
in connection with a marina-type subdivision) State to be
guaranteed access to adjacent State lands.

(g) E. R. Haertling and Bernice Haertling --
Assignment to Windmill Cove Corporation of Lease P.R.C. 2856.1
tide and submerged lands of San Joaquin River, San Joaquin
County.

(h) Joseph Morris -- Ten-year renewal of Lease P.R.C.
391.1, 1,653 acres tide and submerged lands of Santa Monica
Bay, Los Angeles County, and amendment thereof by deletion of
present legal description and substitution therefor of a new
legal description to correct a discrepancy. Annual rental,
$731.20

(i) Pacific Gas and Electric Company -- Ten-year
renewal of Lease P.R.C. 390.1, 0.11 acre lands under Mokelumne
River, Sacramento and San Joaquin counties, for natural gas
pipeline crossing. Total rental, $100.

(j) Pacific Gas and Electric Company -- Fifteen-
year lease, 1.03 acres, Hudeman Slough, Sonoma County, for
12 KV aerial wire crossing. Total rental, $297.90.

(k) Riverview Investment Company -- Rescission of
Commission action of December 17, 1959, authorizing issuance
of 15-year lease covering 2.243 acres tide and submerged
lands, Sacramento River, Yolo County, for a boating facility.
Applicant failed to execute offered lease, to pay rentals, or
to provide required surety bond.

(1) Shell Oil Company -- Geophysical Exploration
Permit for period August 1, 1964 to February 1, 1965 for
12,060 acres proprietary lands of the State on portions of
Hammond, Grizzly, and Joice Islands, Solano County, and on a
portion of Sherman Island, Sacramento County.

(m) Lindsey H. Spight, d.b.a. Diablo Communications
Center -- Approval of sublease under Lease P.R.C. 2364.2 to
Frank's Trucking, Inc., school lands, Contra Costa County,
for maintenance and operation of a mobile repeater transmitting
on 954.9 megacycles and receiving on 958.5 megacycles.

(n) Lindsey H. Spight, d.b.a. Diablo Communications
Center -- Approval of sublease under P.R.C. 2364.2 to Ad
Art, Inc., school lands, Contra Costa County, for maintenance
and operation of a mobile repeater transmitting on 463.05
megacycles and receiving on 466.30 megacycles.

(o) Sycamore Properties -- Approval of sublease for
pier site of P.R.C. 719.1, tide and submerged lands in Ventura
County, to Joe Klaassen, who intends to operate the pier
thereon in connection with a trailer park and related facilities.

(p) Tidewater Oil Company -- Assignment of an un-
divided 25% interest in State Oil and Gas Leases P.R.C. 308.1
and P.R.C. 309.1 to Richfield Oil Corporation. Coal Oil Point,
Santa Barbara County.

MR. CRANSTON: I move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: It has been moved and seconded. Is there any question or comment? (No response) Stand approved as submitted.

City of Long Beach -- Approvals required pursuant to Chapter 29, Statutes of '56, First Extraordinary Session:

(a) Final Closing of Miscellaneous Projects Accounts: Determination of subsidence costs subsequent to April 1, 1956, and State's share of such costs, with credits due State in amounts of $65,78 and $298,35; and credits due City in amounts of $3,15, $215,65, and $577,98.

(b) Roads and Streets, Pico Service Road - 9th Street to 3rd Street, (2nd phase) -- Estimated expenditures from July 28, 1964 to termination of $296,000, with $94,720 (32%) estimated as subsidence costs.

(c) Approval of expenditure by the Long Beach Harbor Department of not to exceed $1,000,000 from the City of Long Beach share of tideland revenues for municipally owned water-injection facilities to serve the upland portion of the Fault Block V Ranger Zone Unit and a portion of the Fault Block IV Area.

MR. CRANSTON: I move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: It has been moved and seconded that
we approve the items as recommended. Any question? (No response) Stand approved. Is there any question?

GOV. ANDERSON: My only question was: Is this the proper time to discuss this other item where we have these telegrams and communications from the Citizens Committee for the Preservation of Public Beaches and Parks on the Long Beach Navy landing? I thought we might take it up at this time. Is there someone here, Frank?

MR. HORTIG: Yes, Governor Anderson. Several of the people who have sent telegrams as well as letters to the Commission, raising question with respect to the propriety of a proposed modification under private contract of the existing Long Beach Navy landing facilities to be used for other purposes, are present here this morning. A representative of the Citizens Committee for the Preservation of Public Beaches and Parks desires to address the Commission.

MR. CHAMPION: Who would that be?

MR. HORTIG: Mrs. James P. Crowley; similar request from Mrs. Alberta P. Guiver, I believe representing also the Long Beach Sailing Club as well as the Committee for the Preservation of Alamitos State Beach; and of the people who have sent telegrams to the individual Commissioners, as well as the staff, these are the ones who have registered this morning, desiring to address the Commission on this subject.

In Summary, and for the Commission's information, when this question was raised we had had it under informal
discussions with the Office of the Attorney General and with staff counsel, to be followed up by more definitive opinion. The consensus at the moment, which is from the initial review as to the local situation -- and this includes the opinion of the Office of the City Attorney of the City of Long Beach -- that the type of operation herein proposed by the City of Long Beach does not require advance approval by the State Lands Commission for the purposes for which the City desires to modify this facility and, therefore, no application is before the Lands Commission for consideration.

MR. CHAMPION: Do I understand this -- that it is unlikely that the City of Long Beach would ask any action by the Lands Commission if the present legal view is taken? In other words, they would not make a request; only if we felt we had some role and asked to consider the matter would this matter come before us?

MR. HORTIG: That is a correct summary.

MR. CHAMPION: And your present information is that the legal finding will probably be that we have no authority to ask for such and, therefore, we are not likely to have jurisdiction over this matter.

MR. HORTIG: This is the initial conclusion as to the matter.

MR. CHAMPION: I understand that. I wanted to make that clear. We certainly want to hear what people have to say on this subject, but I want to make it clear that it
now appears, at least as of the present opinion, that we will not have jurisdiction and this problem will be resolved in Long Beach itself; but we will be very glad to have your views and any views as to the jurisdictional problem involved.

Would you call the people?

MR. HORTIG: Mrs. James P. Crowley.

MRS. CROWLEY: I am Mrs. James P. Crowley. I live at 5427 East Seaside Walk in Long Beach.

Mr. Champion, Lieutenant Governor Anderson, Mr. Cranston, I appreciate very much this opportunity to speak, although we were not an agenda item. I am sure you must be fairly versed with the situation. We have tried to inform you, each of your offices. We think we have a desperate problem there. We are most unhappy to know that a valuable tideland property, which cost the trust some five and one-half million dollars, can be leased — I'll refrain from the words "givenaway" for the time being — to a group whose intent seems to be of a private nature.

I would like first to have you look at this proposed Long Beach West Beach Development project. At one time this was referred to as "urban renewal" but since the City has decided not to use Federal or State funds for anything of this nature, this is to be a completely private enterprise. It is now referred to as the Long Beach West Beach Development Project. Now, this has a rather, to me, nebulous financial plan. It seems to me to be a tax kickback plan of some kind.
and I am sure it would require study before it goes forward; but it gets down to the fact that this will be a private matter and I would like you to look at this particular book and the picture, so you may see exactly the relationship of this high rise proposed development to the Navy landing, and the parks and areas and the related facilities of that. May I enter this? We fumbled for a while as to who we thought might have the advantage of this thing should it come to pass and then that little book seemed to reveal all to us.

You spoke of the legal aspects. We have a difference of opinion there because we have consulted a private attorney who is considered quite an expert on tidelands matters. I have no statement officially from him, but he felt that indeed, since this Navy landing was developed by the vote of the people of the City of Long Beach, that the public funds were utilized for its development, that it was developed for a specific public purpose -- the United States Navy; that this does not quite go into the category of many of the other trust properties that have been leased privately. Now, that's all I have to say as to the legal end of it, because I am sure you have not completed your study on it, as Mr. Hortig specified there; but there are other aspects aside from the moral or legal, and that is the financial -- and this is where we feel that the State Lands Commission should be definitely interested.

We feel that we can prove that the tidelands fund,
the trust itself, will suffer under this private lease over
the fact that it might be kept in the public operation. So
I am going to read this, and I am going to be as brief as I
can. This is addressed to the Honorable Hale Champion, with
copies to the members of the Commission, and the subject is
the proposed conversion to private interest of the Long Beach
Navy Landing, the "D" phase -- which is the small boat harbor.

Now, in this phase, if you have had an opportunity
to study the specifications, you will find included the
marine fuel dock. We feel this will be quite a gold mine and
will carry the difference between the gross and the net on
this. However, since all figures are relative, I will present
this.

"Dear Mr. Champion:

The Long Beach Public Marina, built at a
cost of 13 million dollars from the Tideland Fund
is efficiently operated at a profit by the Marine
Department of the City of Long Beach. There is a
3 year old waiting list of over 3,000 applicants.
This marina charges the boating public $1.00 per
foot per month for moorings.

We submit that the small boat harbor proposed
for the Navy Landing should be retained by the City
and operated as a natural adjunct to our existing
public marina system.

The City Engineer's office supplies the infor-
mation that there will be 7,000 feet of dockage,
with 200 moorings in the Navy Landing site.

The private marinas in our entire area charge from $1.50 to
$2.00 a foot, and it is said now that possibly it will be much
higher in this area.

"Because of the unique position of the Navy landing,
"its fine related facilities and the intense need, under private speculation this figure could easily be raised to as high as $2.50 per foot.

It is anticipated by the City that the lease will go for about 20%.

This lease has a minimum rental on each phase, and then if the lease will be given on the basis of the percentage point above the normal, the lessee will pay either the minimums or the percentage points that they bid.

"Thus the lessee will pay 20% after certain reductions of the gross. Since we speak only of the "b" phase of the proposed lease, you will note that the Marine fuel dock is included. This could be a very profitable area and cover the difference between gross and net for the lessee. However, since all these figures are relative, we submit:.."

(Balance of letter not quoted verbatim by Mrs. Crowley, therefore her own interpretation as given at the meeting follows)

MRS. CROWLEY continuing: Under the public plan under our own Marine Department, the public would pay $1 a foot per month; that is $7,000; one year, $84,000; forty years, the terms of the lease, $3,360,000. Now, under private lease, if the lessee were to charge a dollar and a half per foot, the price -- perhaps if I distribute these to you, it will be easier for you to follow the figures. (Copies distributed)

Under the private lease at $1.50 a foot, it will be $10,500 a month against the seven; at $2, it will be $14,000 a month against the seven that the public has to pay for these moorings -- which, in the course of time, if you follow your figures through, in forty years the public will pay three
million and a third, approximately, under public management.

Under private management, at $1.50, they will pay over five
million, and under private management at $2, they will pay
$6,720,000.

Now, the return to the tideland fund on a 20% con-
tract for forty years: The public will return to this fund
the $3,360,000; the private ownership lessee under $1.50 will
return only $1,000,000; and if they charged $2 a mooring,
they will turn in $1,344,000.

The overcharge to the public -- who just happen to be
the owners of this facility: If it is publicly operated, there
will be none; if it is privately operated under the charge of
$1.50, the overcharge to the public will be $4,032,000; under
the $2.00 plan, it will be $5,376,000.

Now, it is obvious that the differential will go into
the promoters' pockets. We question the judgment and the
fiscal responsibility of the trustee. We claim the trust pur-
pose is not being served. The spirit of Chapter 1560, Section
2, #2, requires that maximum return to the trust be obtained
by any lease. This is being directly violated in this proposal.

We respectfully request your intervention in this
matter and we again call your attention to "D" Day, which is
two o'clock next Monday afternoon. The bids will be opened
at that time. I am sure they are pretty well organized and
I think the leases will be signed very, very quickly.

Now, I spoke on only this one phase because this is
the phase that I think should interest the State. The fact
that we have given away millions of dollars worth of our tide-
land trust property to private yacht clubs and millions of dol-
ars worth of our State beach park to private yacht clubs
leads us to think that maybe the public should get a little
break around here. I can name at the moment four public clubs
that have no place to go. One is the Sailing Club of Long
Beach. One is the State College Sailing Club, with about
sixty members at the moment, who have their own boats, are go-
ing to be pushed off the beach in the Marina area and are
therefore going to have to break up their club and toss away
their boats, or have some public spot for them.

Then we have a Boat Owners Association -- Marina
Boat Owners Association, that has eighteen hundred members
and have been on this waiting list in the marina for up to
three years, and with a 3,000 waiting list you can see how
few of them and how long before they can get on to it.

I want to also mention this -- that you will find
if the City of Long Beach still needs to come to you for any
of these matters, for many marine developments, it seems a
little absurd -- millions of dollars to develop a new marina
when we have available 200 slips that should be in public usage.
The City has also claimed that at the moment they are a little
strapped for funds and yet the head of the Marine Department
with only $350,000 -- which would be tideland funds -- can
develop the floats in this marina, which provides 200 more
spots. Since the City has so recently spent a half million dollars to develop twenty-nine floats for a private yacht club, it would seem somewhere they could come up with this $300,000 and let Mr. McDowell, the most efficient Marine manager there, take this marina into our public system. We have been more than patient.

Thank you so much.

MR. CHAMPION: Was there someone else that wanted to be heard, before I call on the City of Long Beach for whatever response they want to make?

MR. HORTIG: Mrs. Guiver indicated she wanted to give testimony.

MRS. GUIVER: Mrs. Crowley has given my views.

MR. CHAMPION: It sounds like Long Beach has a classic case of free enterprise versus government operation in front of it.

MR. LINGLE: As you know, we built the Navy landing at the request of the Government. The Navy no longer uses or needs all of the Navy landing. We searched for a way to use this area more efficiently and more profitably and came up with the idea of diverting it to a marina. It is our estimate that it will cost approximately $700,000 to convert it. We thought we would lease this area with an associated dry-boat storage area, at a competitive bid. We don't know who is going to get it. The rates that the man charges, whoever gets it -- their operations will be subject to control by the
City Manager.

By having private enterprise take over this operation, it will mean that private enterprise will spend the necessary funds and the money that we would otherwise have to spend on the marina will be available in another area.

I have no idea what rates they would charge. If our rates at the Marina are this far out of line -- maybe it is my personal view -- maybe our rates at the Marina are wrong.

All I know...

MR. CHAMPION: By wrong, you mean you are charging too little to the users?

MR. LINGLE: Yes. All I know, we are making facilities available to somebody who would pay a fair rate and I can't believe that somebody is going to charge whatever is more than a fair rate would be because he will be driven out of business by other competition.

MR. CHAMPION: Do you have any other controls on that? Do you have any controls to determine whether there is an overcharge?

MR. LINGLE: We will have a right to control the rates and a competitive bid will be bid.

There is an urban renewal proposition in the area, and it is on uplands. There is an urban renewal area and I don't doubt for a minute if there is a marina there it will enhance the development of an urban renewal area -- but they are entirely different projects. The urban renewal project
had been thought of long before we had contemplated turning this into a marina.

As far as the legal aspect, these people have appeared before the Long Beach Council and our office has filed its opinion with the Council. We believe as far as our interrelationship between the State and the City is concerned, we believe it is in the jurisdiction of the City. We certainly have no qualms in discussing this matter with you. We have exercised our judgment to provide capital for a recreational facility.

MR. CHAMPION: Would the City require that the space be available to the public for mooring on a first-come-first-served basis, or could it be used for a private group?

MR. LINGLE: I can see no reason why they can't put it in. It is out for a competitive bid -- whoever will pay us the highest gross amount has been the bid criteria.

MR. CHAMPION: As I understand it, the people in the apartments behind there are to have first right.

MR. LINGLE: Assuming the City is going to turn it over to the operator and let him run it. We contemplate getting this thing off the ground within the next six months. Those high rise apartments -- our urban renewal project has been formulated but we don't have bonds issued; we haven't condemned any property and it is still in the formative stage. Whether or not there will be high rises, I do not know.

MR. CHAMPION: If you did not put in conditions and
somebody was interested in that development could bid and pay
to the City whatever it thought it wanted, in order to reserve
that for an ultimate benefit for the residents in the area,
unless you put some specific prohibition in it there is nothing
to prevent them from going ahead on this basis.

MR. LINGLE: That gives us a point, and I think we
can put some automatic controls in this lease.

MR. CHAMPION: Actually, we should not, unless we
have a legal opinion, attempt to tell you how to do business
in the City of Long Beach and I think probably we ought to
await the opinion of the Attorney General on whether or not
we have any jurisdiction in this matter; but you can consider
all this as gratuitous advice, which may be what it is worth.

MR. LINGLE: I don't feel your advice is out of
place, and Mrs. Crowley and I have discussed many things in
the past and I am sure we understand her feelings in the mat-
ter, too.

MR. CHAMPION: It is easy to understand the feeling
of three thousand people on that waiting list, if they feel
there is going to be a new waiting list and they are going to
start out from scratch.

MR. LINGLE: The fuel dock in the Marina -- that is
operated privately by competitive bid. About the only thing
we do collect is rental from the slips. You have a couple of
matters on here today. You have them from time to time; you
have lands out that are developed in certain ways. I certainly
realize the crying need for recreational facilities for small
boats. We know that there is a demand. Our idea was we would
let somebody private do it. I know there have been more than
forty sets of specifications taken and I think it is their
worry and your suggestion is a matter that we can certainly
work out, so that we don't get some select few that will have
the priority.

GOV. ANDERSON: Under your program, what do you
anticipate would be the annual return to the trust fund?

MR. LINGLE: Well, I can tell you what the minimum
is. The minimum is something like four thousand plus a month.

GOV. ANDERSON: Four thousand a month?

MR. LINGLE: Four thousand plus a month.

GOV. ANDERSON: We are talking about fifty thousand
a year?

MR. LINGLE: There are all kinds of things that are
going to be leased. There is a dry dock storage; there is a
marina area; there is even an area for shops and a restaurant;
and all these concessions have to be operated more efficiently
if one group could operate it together. But I'd hate to have
to guess... ...

GOV. ANDERSON: Roughly, I see they use the figure
of five and one-half million originally and you say seven
hundred thousand conversion?

MR. LINGLE: That's what we are trying to get out of.
We aren't going to put up the seven hundred thousand; the
successful bidder will do it.

GOV. ANDERSON: Then the only trust fund money in it will be the original five and one-half million?

MR. LINGLE: Yes, sir.

GOV. ANDERSON: And then we would measure the return against our five and one-half million trust funds that have been put into it.

MR. LINGLE: Yes, but I think it is, I believe, a strange situation -- because we built this thing, figuring we wouldn't get anything out of it. We built it as an adjunct in the harbor to take care of United States Navy Landing boats. We didn't anticipate -- This was governmental activity that wasn't going to return anything to us. I think we ought to get the most we can so long as it is operated fairly, but I can't say I think it should be measured against our original investment.

GOV. ANDERSON: The reason I am asking that -- we have to think of what trust funds were put in, particularly where we have something going to private use.

MR. HORTIG: Mr. Chairman, I believe the record should also reflect that this was a construction of the City of Long Beach under Chapter 29, Statutes of 1956, utilizing the City's share of tidelands funds.

GOV. ANDERSON: It is the City's share, but it is still the trust fund.

MR. CHAMPION: It is still subject to any questions
anybody wants to raise about trust.

MR. HORTIG: This is true, but I did want to make
the distinction that there were no State funds as such that
were spent on this particular facility.

MR. CHAMPION: Let me ask you this, Mr. Lingle:
Is it possible that this thing, consummation of what they
are supposed to do, might be withheld subject to our having
some legal opinion as to the Lands Commission's proper role
in this matter? I am not asking, say, for a delay of the
opening of the bids or the action on them or the consummation
of them; but what you propose to do might be delayed pending
that. It might save us a lot of complications.

MR. LINGLE: My hesitation is as a lawyer. I hate
to jeopardize the opening of the bids. We have gotten them
out and they are pending.

MR. CHAMPION: How long have they been out?

MR. LINGLE: The Council approved this the first
part of June and I guess bids are to be opened, I assume,
next week -- as Mrs. Crowley said. I am not absolutely
certain.

MR. CHAMPION: What period do you have running
after the opening of the bids?

MR. LINGLE: We haven't drawn the lease. We have
to draw the lease, so between the time we draw the lease.....

MR. CHAMPION: I am talking about the award of
bids. There is generally a period of thirty, sixty or ninety
days in which award a bid which has been opened.

MR. LINGLE: I don't have that information.

MR. CHAMPION: I think if this could be done, and I think it could be done cooperatively -- if you did have such a period of time before you made the award until we get this opinion, then it would be all clear and then there wouldn't be any problem of us raising questions after this is consummated.

MR. LINGLE: If there is any way we can do it that we don't jeopardize the legality of it, I know the City will do it.

MRS. CROWLEY: May I answer what Mr. Lingle has said? Also, I'd like to add the addendum which has been sent out since the original specifications, which I would like your attorneys to study. There is a section that is very disturbing to me -- and I may be just looking for something. After a careful study of the lease and the bid, it is most apparent that in the future there is no reason why this entire facility cannot become a completely private club.

Now, in this addenda, which I wish to turn in, I find that the restaurant, if I interpret it correctly, can be operated there as a restaurant, but it is permissible but not mandatory. I have often found that when these addendums come out after careful study has been given, and they come out at such a late date in the leasing period, that there is something that one needs to carefully watch for.

I can answer a couple questions Mr. Lingle was not
able to answer. I want to go into the secrecy and the lack of publicity that seemed to surround this entire matter.

On June 3rd the Council met. A letter from the City Manager was read. Without one comment, one objection, one question, the Council immediately -- and I have evidence of this effect, minutes of the meeting -- the Council immediately resolved that the City Manager issue the bids. This is on June 2nd.

On June 4th we found this little item in the Press-Telegram -- just this little bit on the back page of the city section. The front page had a large spread on a Yugoslavian family -- but this was buried on the back page. The only publicity in addition on this was because we approached the Council and the Council resolved to ask the City Attorney for his opinion. We also requested a public hearing, which has not been granted to date. We are requesting it again today.

Item 18 today on the agenda at the City Council will advise the Council the City Attorney has reviewed this, he has found nothing illegal, and the action is an administrative decision.

Now, if the owners of this five and one-half million property are not even to be allowed to be informed when it is given away, as desperately as we need our recreation areas there -- which Mr. Lingle touched on -- this area is completely developed...

MR. CHAMPION: May I point out something here? I think it is important to distinguish what this body can be concerned with, and not. We are not in a position to review,
generally, actions of any municipalities. We have one interest in the tidelands, and a very great interest in the tidelands; and that is that the terms of the grant are carried on and anything that affects the grant we must examine carefully. But as far as what the City has done, and the judgment of the Long Beach newspapers, this does not concern us.

MRS. CROWLEY: I am sorry. I shouldn't have mentioned it. However, I think Governor Anderson asked Mr. Lingle whether the City could control the rates. On this phase, which he touched on this morning, the minimum is $1250.00, which is ridiculous when even at a dollar, the return is seven thousand a month. On the Phase D, the boat basin, and the fuel, the minimum is $1250. There is nothing to prevent a private club from making that small minimum and there is nothing to offer percentage points which are greater, and there is nothing to charge the most they can get or charge the least they can get.

I do ask your attorneys to carefully study the lease, the invitation to bid, and the addendum which I have just presented to you.

MR. CHAMPION: You can be sure they will be given our attention.

MRS. CROWLEY: You have been most kind.

MR. CHAMPION: Is there anything further on this matter?

GOV. ANDERSON: I think we ought to make sure the Attorney General has all this material.
MR. HORTIG: The discussions and the specific request to the Attorney General's Office will, of course, be supplemented with all the data that have been presented here today.

MR. CHAMPION: With that we will pass on to the next item on the agenda, which is authorization for Executive Officer to advise the Department of the Navy that the Commission is in agreement with the suggestion of the Navy that the fee simple title to all of Section 16 and the $\frac{1}{2}$ of NW$\frac{1}{4}$, SE$\frac{1}{4}$ of NW$\frac{1}{4}$, $\frac{1}{2}$ of NE$\frac{1}{4}$, SE$\frac{1}{4}$ of NE$\frac{1}{4}$, $\frac{1}{2}$ of SW$\frac{1}{4}$, SE$\frac{1}{4}$ of SW$\frac{1}{4}$ and the SE$\frac{1}{4}$ of Section 36, Township 14 South, Range 9 East, S.B.M., Imperial County, be acquired by the Navy under proceedings in eminent domain, with every effort to be extended to reach an agreement through negotiations on the fair market value to which the State is entitled, and entry of a stipulated judgment in such proceedings.

MR. CRANSTON: I move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: Stands approved.

Mineral Extraction and Oil and Gas Leases:

(a) Authorization for Executive Officer to offer for lease, for extraction of sand at minimum royalty of eight cents per cubic yard, a 57.59-acre area of submerged lands in Suisun Bay, Contra Costa and Solano counties, pursuant to application of Harry Crone Thomsen,

(b) Award to the highest qualified bidders, Richfield
Oil Corporation and Standard Oil Company of California, of Parcel 21, Oil and Gas Lease, 5,553 acres of tide and submerged lands, Santa Barbara County, for cash-bonus payment of $18,666,555.66.

(c) Authorization, because of small size and inaccessibility from surface drillsites, for a negotiated gas lease between 42nd District Agricultural Association and Tidewater Oil Company, covering 46.78 acres of land in the Glenn County Fair Grounds at Orland, below the depth of 500 feet below the surface of the ground, at rental of $25 per acre or a total of $1,167.25 per year, and a royalty of 16-2/3% of all dry gas or non-oil products removed or sold from the leased land.

(d) Authorization, because of small size and inaccessibility from surface drillsites, for a negotiated lease between the State Department of Employment and the Standard Oil Company of California, covering 4.07 acres of land in the vicinity of 15th Street and Broadway in the City of Los Angeles, below the depth of 500 feet below the surface of the ground, at a delayed rental of $1,221 for the period March 5, 1959 to March 5, 1965; an annual rental of $244.20 commencing March 5, 1965, in the event drilling operations have not commenced; and a royalty of 16-2/3%.

MR. CRANSTON: I move approval.

GOV. ANDERSON: I second, but I'd like to have you explain a little bit the reason for delay in rental on item (d).
MR. HORTIG: The obligation to undertake a lease on the property was proffered to the Department of Employment as early as 1959. The inclusion of this area within an oil drilling district in the City of Los Angeles, which requires zoning and establishment of oil drilling districts under ordinance procedures of the City of Los Angeles, and the leasing of the balance of the area within the particular oil drilling district has occupied the time up to now; and consequently, now for the first time the lessee of the majority area, who is actively drilling a well on the drill site approved by the City of Los Angeles, has consummated all these lease commitments that he has heretofore undertaken and, therefore, the delayed rental which is a customary offer in the normal upland lease -- is being proffered for the period of time past under which he originally obligated himself, as well as the lease providing for an annual delay rental in the event that further drilling development is not actually undertaken.

GOV. ANDERSON: This is the first drilling operation in this area?

MR. HORTIG: Yes, sir. It is in process, within the limits of the oil drilling district which encompasses the particular parcel, which was occupied by the Department of Employment.

MR. CHAMPION: Is there any further question on this item? (No response) It has been moved and seconded, approved unanimously. Stand approved.
MR. CHAMPION: (continuing) Authorization for the Executive Officer to execute the Unit Agreement for the development and operation of the Coal Oil Point Offshore Oil and Gas Field, Devereaux Area, Santa Barbara County; determine that the unit plan of development and operation contemplated is necessary and advisable in the public interest; determine that the alteration, change or revocation of certain requirements of State Oil and Gas Leases P.R.C. 308.1 and P.R.C. 309.1 is necessary to secure the proper protection of the interests of the State. (Leases held by Richfield Oil Corporation and Signal Oil and Gas Company)

GOV. ANDERSON: I move it,

MR. CRANSTON: Second.

MR. CHAMPION: Stands approved.

Approval of maps and of boundary agreements:

(a) Authorization for Executive Officer to approve and have recorded Sheet 1 of 1 of map entitled "Map of the Grant to the City of Crescent City, Del Norte County, Calif." dated June 1964.

(b) Authorization for Executive Officer (1) to approve Map No. 12353 entitled "Survey of Corrected Boundaries Tideland Survey 63 (Parcel Two), Tideland Survey 76 (Parcel D), San Mateo County, California" dated September 1963 (Exhibit "C"), insofar as it depicts the common boundary of Parcel Two of Tideland Survey 63 along the landward of westerly boundary of Tideland Survey 76; (2) to approve corrected
descriptions of Tideland Survey No. 63 (Parcel Two) and Tideland Survey No. 76 (Parcel D); (3) to certify Map No. 12353 and cause it to be filed in the Office of the Recorder of San Mateo County.

(c) Authorization for Executive Officer (1) to approve and have recorded Sheet 1 of 1 of map entitled "Boundary of Mean High Tide Line Along the Shore of Suisun Bay, Vicinity of Benicia Arsenal, Solano County, Calif." dated June 1964; (2) to execute a boundary agreement with the United States and the City of Benicia fixing the boundary of State tidelands at the Mean High Tide Line of 1896 along the shore of Suisun Bay, Solano County, California.

(d) Authorization for Executive Officer to execute a boundary agreement with Coast Capital, Inc., the City of Newport Beach, and the State of California, fixing the boundary of granted State tide and submerged lands along the shore of Newport Bay, as shown on "Map of Lancaster's Addition to Newport Beach" on file in the office of the State Lands Commission.

(e) Authorization for Executive Officer to execute an agreement with Harold M. Field, Doreen Field, and Emile Maalouf, fixing the Ordinary High Water Mark as the common boundary along the shore of Santa Monica Bay in the vicinity of Las Tunas Beach, Los Angeles County, as the permanent boundary between State tide and submerged land and subject private lands.

MR. CRANSTON: I move approval.
GOV, ANDERSON: Second.
MR. CHAMPION: Any question? (No response) Stand approved.

Proposed legal actions:
(a) Authorize the Executive Officer to request the Office of the Attorney General to take legal action to quiet title, and for trespass, damages, and injunctive relief against Robert E. MacDonald, Robert E. MacDonald, III, and Blair MacDonald, d.b.a., Monterey Sand Company, and Monterey Sand Company, a California corporation, relating to removal by them of sand from tide and submerged lands in Monterey Bay fronting their property in the vicinity of Seaside and Marina, Monterey County.

(b) Authorization for Executive Officer to request the Attorney General to proceed with the filing of a quiet title action or such action as is deemed necessary for the purpose of determining and clearing the State's title to the E\textsuperscript{\textfrac{1}{2}} of NE\textsuperscript{\textfrac{1}{2}} of Section 25, Township 1 North, Range 1 West, M.D.B., containing 80 acres in Contra Costa County.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Second.

MR. CHAMPION: Stand approved.

Administration -- and I think we might deal with these separately, item by item:
(a) Amendment and adoption of the Commission's regulations in Title 2, California Administrative Code, Section 2100(f)(5).
Do you want to explain that item, please?

MR. HORTIG: The Commission earlier this year authorized the publication of the required notice of intention to amend the rules and regulations relating to geological exploration permits to conform to the precise language of the statute. The necessary publications were made. The time has expired for any comments prior to adoption of rules and regulations by the Commission. No comments, pro or con, on the proposed rule amendment has been received and, therefore, it is recommended that the Commission adopt and thereafter the regulation will be published in the California Administrative Code as amended, relating to the conditions for furnishing information under geological exploration permits in strict conformance with the statute as it is in the books.

MR. CRANSTON: I so move.

GOV. ANDERSON: Second.

MR. CHAMPION: Is there any question on that matter?

(No response) Stands approved.

(b) Authorization for Executive Officer, as required by Chapter 2160/63, to report to the State Controller the revenues remitted for the 1963-64 fiscal year, in accordance with Exhibit "A"; and to report to the State Controller the revenues remitted during the 1964-65 fiscal year at the time of remittance, for all revenues received from within the limits of qualifying cities or counties, as described in Exhibit "B".

I take it that Exhibit "B" is the opinion of the
Attorney General?

MR. HORTIG: Exhibit "B" lists the qualifying criteria of the various cities and counties in terms of mile of beach front that will be applicable to the calculation of the subvention to be transmitted by the Controller to the respective cities and counties, depending upon the magnitude of the revenues received from offshore qualified cities and counties during the fiscal year 1964-65.

This is in conformance with the Attorney General's opinion of the applicability of the statute. The statute went into effect October 1963; provides for a report to the Controller of the amounts received for the balance of that fiscal year, specifically October '63 to June 30th, '64 in one lump sum; and thereafter requires a monthly report to the Controller as the State Lands Commission receives money on a monthly basis, so the Controller can then make the calculation as to the amount to be remitted in accordance with the qualifying schedules which are furnished to him by the Lands Commission.

MR. CRANSTON: I move that the Controller be informed.

GOV. ANDERSON: Second.

MR. CHAMPION: There being no alternative, it stands approved. Now, as I understand it, our report is to him of the total amount and he makes the computation under the interpretation of the Attorney General. Do you have an approximate figure as to what the local jurisdictions will receive under this?
MR. HORTIG: Yes, sir. This is, of course, for the period of October to June, as shown on page, I believe 77 -- which should be Exhibit "A" -- and the total maximum revenue, for example, that would be available to Orange County for allocation to the City of Huntington Beach -- which could be not to exceed one percent of the $2,000,000 but not to exceed $75,000 per mile -- since they have four miles and one percent of the two million would be less than four times the $75,000, they would get below a figure of the one percent to be allocated.

Similarly, the City of Seal Beach ....

MR. CHAMPION: That one percent -- about what actually would Huntington Beach receive?

MR. HORTIG: $22,826; and similarly, Seal Beach -- $35,535, which is still less than $75,000, which would be the maximum they could receive for a one-mile qualification.

If you will turn to Exhibit "B", as you will note, there will be one additional qualified area in the County of Orange, the last line, Sunset Beach -- by reason both of establishment of county beaches and adjoining development of State oil and gas leases.

MR. CHAMPION: Which has not yet taken place.

MR. HORTIG: Which will be in effect during the period July 1, 1964 and forward.

MR. CHAMPION: For the next fiscal year?

MR. HORTIG: For the next fiscal year, but not qualified for the preceding year, which was the first partial
fiscal year in which this statute was in effect.

MR. CHAMPION: Santa Barbara would get the maximum $75,000.

MR. HORTIG: It happens that one percent is $75,000 and they do have a mile frontage, and this would be their limitation also.

MR. CHAMPION: Is there any further question on this matter? (No response) We have already taken action on that.

Next item -- (c) Executive Officer to be directed to request the Department of Finance to initiate a study of the State Lands Division, which study will (a) review the present organization and staff of the Division, and (b) develop a plan to provide for an organization structure and staffing in conformance with current and near future growth requirements.

I would like to begin by stating something and also by offering an amendment to this. I think what is intended here -- and I haven't had a chance to discuss it with Mr. Hortig -- is a review by the people who formerly were in the Organization and Cost Control section who are now in the Department of General Services, on the operation of the State Lands Division. This is not now in the Department of Finance and I think it would be in order to change the recommendation unless you have something else in mind, to the Department of General Services.

MR. HORTIG: Actually, the discussion with your
staff indicated that a request to you, the Director of Finance, would automatically involve cooperatively the request at the proper time in the phasing to the Division of Budgets of the Department of Finance, to the Department of General Services, Division of Organization and Cost Control as you have suggested, and the necessary involvement of State Personnel Board staff.

MR. CHAMPION: Let's make the amendment to this extent: Let's make it to the Department of Finance and the Department of General Services. I think anything the Department of Finance did in this area would be obtaining consultants for assistance beyond the Department of General Services. Is that satisfactory to both of you?

MR. CRANSTON: Move approval as amended.

GOV. ANDERSON: Second.

MR. CHAMPION: It will stand approved. I'd also like to say a little bit about the character of this, for those of you who are concerned with the work of the Lands Commission, as most of you who follow it have seen the tremendous growth in the responsibility experienced in this program. We have pretty much the same procedure -- the old staff organization, the old staff approach. We are about to take on the Wilmington Field, which is in itself a whole operation, and we thought this would be an appropriate time to review some of the procedural structures and the procedures involved. I think there is probably a better way to handle our functions.

I think, for one thing, we ought to review some of our ministerial functions, which should not be on action by
this Commission. In other words, there are problems that ought to be dealt with while we are reviewing this structure. Of the twenty-seven commissions we have, I think this one has the bulkiest agenda and least understood, and this is no fault of the staff. They are following the procedure and doing a good job; but it is not any kind of an agenda that any body should have, and the review should be along the lines of modern procedures for the Commission; and particularly if we are going to spend the proper amount of time on the important questions before us, we ought to single those out and I think this is going to require effort by the Lands Commission staff, which really knows these problems, along with the administrative analysts and whatever consultant help we may have. It may be that out of this you may wish to recommend some sort of legislative program, which would free the Commission from having to act on thirty to forty items. If we can't do that, we may as well quit.

It might also be well, if we have increasing problems, as we have with Long Beach today, when we set up the deal on Wilmington that we have some sort of referee which will try to sort out these problems in advance of the meeting and they can hear from the parties unless we have to take action in the Commission as to extended matters, and then we will have a partial report.

These are some of the things we have in mind and I think if any of you who have to deal with the Commission,
have to live with its procedures, have any suggestion as to how we can better carry out our functions, don't hesitate to let us have them. In fact, during this review, your advice may be sought out. I am sure the City of Long Beach would like to give us some gratuitous advice on this matter, and it will be welcome.

Is there anything further on this matter? (No response). We will go to the next item:

(d) Authorization for Executive Officer to initiate procedures for consideration of amendments and/or revisions of Articles 1, 2, 5, and 6 of Title 2, Division 3, of the California Administrative Code, Rules and Regulations of the State Lands Commission.

Mr. Hortig?

MR. HORTIG: As the Commission will recall, over an extended period of time there have been reviews and considerations of adoption by the Lands Commission with respect to a proposed program for administration, control, leasing, and sale of the remaining vacant State school lands under the jurisdiction of the State Lands Commission.

After completion of the public hearings and receipt of all the comments from all interested parties and the prescription of policy by the Commission, we now have before the Commission a draft of proposed rules and regulations to implement this policy as determined -- and which now must go through the prescribed procedural requirements for adoption of rules
and regulations to be incorporated in the California Admin-
istrative Code.

The draft has been reviewed by the Office of the
Attorney General and has, of course, been constructed co-
operatively with the staff of the State Lands Division to
reflect the Commission's previous policy determination. It
is now proposed to be advertised for, again, public comment
before final adoption and consideration by the Lands Commiss-
sion after the prescribed advertising and consideration
period.

The authorization required from the Commission today
is solely to authorize the publication in order to continue
the procedures as necessary, that will culminate in rules and
regulations.

MR. CRANSTON: I move the authorization.

GOV. ANDERSON: Second.

MR. CHAMPION: Is there any further question?

(No response) Stands approved.

Confirmation of transactions consummated by the
Executive Officer pursuant to authority confirmed by the Com-
mission at its meeting on October 5, 1964.

MR. HORTIG: Which included solely the extension of
the terms of geological and geophysical exploration permits
previously authorized by the Commission.

GOV. ANDERSON: I move them.

MR. CRANSTON: Second.
MR. CHAMPION: Stand approved.

Is there any report on the status of litigation?

MR. HORTIG: No major modifications in the report from the last meeting, with the exception that a decision has been received in the case of Twombley versus the City of Long Beach and the State of California, in which it was contended by Mr. Twombley that the State had no right, title or interest in any portion of the Long Beach tidelands; and the District Court of Appeal does not agree with Mr. Twombley and did agree with the Attorney General's Office, who defended this case on behalf of the Lands Commission.

MR. CHAMPION: I congratulate the Attorney General's Office.

We have two items tentatively before us, which I think it would be proper for us to discuss. I don't think we can properly take any action on them today. I think we could if we were prepared. I am the one who is not prepared.

We now have before us the report prepared by the staff on, I think the proper title is "Tidelands Oil Development and its relationship to the esthetics of the coastline." This is still in draft condition, but I think it has given us enough background so we can proceed to the consideration of the question raised by the Lieutenant Governor and the Commission with respect to the development in Santa Monica...

GOV. ANDERSON: Now, this is not Santa Monica; this is in general.
MR. CHAMPION: As I recall, you were not present at the meeting. You said you wanted to see this whole report before any action was taken in Santa Monica.

GOV. ANDERSON: I think the original request applied to the Orange coast, although it is related to the Santa Monica area; but it was originally to the Orange coast.

MR. CHAMPION: That I did not understand. Well, perhaps, then, we better separate this. Which would you like to take up first?

GOV. ANDERSON: I was going to ask the question today on Santa Monica.

MR. CHAMPION: Let's deal with Santa Monica.

GOV. ANDERSON: Maybe I can ask the question and that will at least move in that direction. Is that one here?

MR. CHAMPION: It is marked "Tentative." It is not an item on the agenda. We can or not take action, as we see fit.

GOV. ANDERSON: The question I was going to ask: In the development of the Santa Monica area, I understand that in the Santa Monica Bay area the problem we have was brought about by the request of the City of Los Angeles to develop a section that is under their jurisdiction; and our concern was once that Los Angeles starts, it will start a general area reaction that will force Santa Monica and El Segunda and other cities to follow suit, and we would in a few years have a lot of wells out in Santa Monica Bay, and
and islands and various other things -- and my question was, before we have to make a decision in regard to Los Angeles' request, couldn't we implement some sort of requirement or study the possibility of having them go into below surface drilling, so if there would be any drilling they would be below the surface when they were drilling, they wouldn't be unsightly, they would be drilling from barges. I was wondering what our jurisdiction would be.

MR. HORTIG: The jurisdiction of the Lands Commission with respect to operations proposed to be conducted by grantees of tide and submerged lands is, as the Office of the Attorney General has reported, extremely limited. It would occur to staff that a study of the nature implicit in the question you raise, Governor Anderson, with respect to alternative methods of possible development -- an evaluation of the economics, the cost of both the development and operation, and so forth -- could, of course, be undertaken by staff to serve as a report and possibly as a suggestion to the City of Los Angeles for consideration in connection with the proposed operation. Our understanding of the authority of the Commission with respect to granted lands is that the Commission is not empowered to substitute its own judgment for that of the grantee, as to how an area was to be developed, as a matter of legal right. It would be a matter of cooperative suggestion.

MR. CHAMPION: Or of seeking legislation which would take effect that the State covers the whole area,
where individual municipalities take such action.

MR. HORTIG: That is correct. I was suggesting what was feasible under existing law. So we are back to the point of the possible consideration by the Commission of whether additional study, and particularly evaluation of the factor that Governor Anderson raises a question on, should be undertaken by the staff to be reported back to the Lands Commission and to be reported to the City of Los Angeles in view of the fact that this proposed action is the prototype and would represent the initial exploratory drilling operation in Santa Monica Bay. The mathematical probability of a chain reaction, as Governor Anderson suggested, is as good in this area as it is anywhere in the tidelands.

On the other hand, the absolute magnitude and the ultimate span of this chain reaction would, of course, depend on where petroleum deposits are found. If, for example, only a minor deposit were to be found, why then the amount of chain reaction would be severely limited in a community, in all probability. On the other hand, if an extensive deposit would be located in the area, whether it could create a problem for the City of Santa Monica on the west as to any deposits in the Santa Monica tidelands to protect them from drainage, El Segundo from the east, and progressively west of Santa Monica Bay and further east, would be dependent on what the actual geology would be.

MR. CHAMPION: Governor Anderson's point seems to
be well taken at this time. You could hardly deal with this chain reaction when it is on you. The only thing to do is to review it before the advent of the problem. Could we do this-- Would this be satisfactory to members of the Commission, without getting into a formal action that is not formally on the agenda -- to ask that the staff work with the people in Santa Monica to advise them on the technological ability of industry and, in this particular situation, of the underwater type of development, to see whether or not just on a cooperative basis and our offering technological help they couldn't work out something which would give us a satisfactory solution to the Santa Monica problem.

GOV. ANDERSON: You are thinking of the City of Los Angeles?

MR. CHAMPION: The City of Los Angeles -- excuse me -- and at the same time try to formulate some proposals to the Commission on legislation which would empower the Commission to deal satisfactorily with the future problems here. The Legislature has before them now a study of the tidelands and specifically this matter of grants to the local areas and what conditions should be attached. While this is primarily new conditions, it seems to me that the question that has been raised here can very well be made a condition on old grants; and if we could work this out so we would not have to hold up this development, we could work out standard conditions for every other grant. Do you think that would meet the problem?
GOV. ANDERSON: If we could get the City of Los Angeles to agree to this attempt for underwater drilling, that would obviously help.

MR. CHAMPION: Are there any representatives here of the City of Los Angeles?

MR. HORTIG: Mr. Spaulding.

MR. SPAULDING: Yes, Mr. Champion.

MR. CHAMPION: Does this procedure sound satisfactory to you?

MR. SPAULDING: Well, it will delay our plans for moving on this, I am sure, but if there is no other way of doing it, then we will have to consider it, obviously.

MR. CHAMPION: There is another meeting of the Commission on August 18th. If we could have the discussions between your representatives and the representatives of the Lands Commission to see what this would entail -- There are real limits on what the State can insist on in a case of this kind. I would hope that we could work this out by discussion. We are not going to try to exceed our legal authority here, but we would like to raise what we think are the appropriate questions and are going to be ever more important questions of public policy.

MR. SPAULDING: We would certainly like to cooperate with the Commission in this endeavor.

MR. CHAMPION: Let's have the exploratory discussions and let's put the matter formally on the agenda for
August 18th. Is that satisfactory?

MR. SPAULDING: Yes.

GOV. ANDERSON: Our staff will meet with their staff.

MR. CHAMPION: Yes; but I don't want to forget the long range thing, either, which is proposals to the Interim Committee on the subject of these grants.

Anything further on this matter? (No response)

MR. HORTIG: Mr. Chairman, may I ask a question, then? Could we also formally include on the August 18th agenda the matter of determination of Commission policy with respect to tide and submerged lands under the jurisdiction of the Commission -- in other words, dealing with all the other tide and submerged lands other than the granted lands?

MR. CHAMPION: I would appreciate having the time to give additional study to the documents you have provided me.

MR. HORTIG: We will calendar it at that time, on August 18th.

MR. CHAMPION: Is there any further matter to come before the Commission?

MR. HORTIG: Yes, there is. Mr. Ketchum of Mobil Oil Company has indicated a request to address the Commission with respect to the Commission's sequential leasing program.

MR. KETCHUM: Mr. Chairman, my name is George H. Ketchum and I represent the Mobil Oil Company. I have a question concerning the Commission's future policy with respect
to the sequential leasing program for tidelands oil and gas leases. As you are aware, the various competing companies interested in bidding on State offshore tidelands must necessarily plan and budget their exploration effort and funds as far as practicable into the future. This requires cooperation by the Commission to the greatest extent possible in keeping industry informed of its programmed competitive lease sales. To this end, a sequential leasing program was adopted in November 1960, under which the offering of one offshore parcel per month was contemplated.

The question of whether the Commission will adhere to a policy of offering one parcel a month for the balance of 1964 is of prime interest to Mobil. Thus far in 1964, my company has expended in excess of three million dollars on offshore exploration and lease acquisitions. Several other companies, as you are well aware, have spent substantially greater amounts.

The interest of the industry in the State's sequential leasing program was expressed in a letter from the Western Oil & Gas Association to you, Mr. Chairman, dated June 22, 1964. In your response dated July 9, 1964, you reaffirmed the Commission's desire to maintain the sequential leasing program in the interests of orderly development of the State's tide and submerged lands.

I have noted the absence of any additional offering of a lease parcel from today's calendar. I believe that the
inclusion of such an item on today's calendar would be necessary in order to conduct a sale in September.

My question, Mr. Chairman, which I, as well as the representatives of other companies, would appreciate your answering to the best of your ability at this time, is whether the Commission intends to adhere to a sequential leasing program of offering approximately one parcel per month during the balance of 1964. If not, can you give us any indication as to how many parcels will be offered and the approximate schedule of such offerings.

Thank you.

MR. CHAMPION: Let me say at the beginning that when that letter which went to the Western Oil & Gas Association said, "Yes, we do believe in sequential leasing. We want to do as much as we can for industry," the Government has its own problems, cash flow and otherwise, and needs to pay some attention to those; and those will always be the controlling factor. And where we will give as much information as far in advance as possible, we can't be bound by anything other than public policy; in other words, what is best for Government at that time.

Usually, the interests of industry and Government coincide, but sometimes they don't; and when they don't we must take action of some kind other than that they would prefer.

As to your question, I don't know of any reason why we should interrupt the sequential leasing program at this
time. Has there been any change in the program?

MR. HORTIG: There is no specific program for inter-
rupting the sequential leasing program, in response to the
Chairman's question. I think it must be understood, however,
and it should be understood that the Commission's original
directive in 1960 for a sequential leasing program did not
contemplate or commit that there would be a lease offer every
month and, as a matter of fact, as statistics have already
borne out, this has averaged out over the intervening years at
about one every sixty days. There have been periods where
leases have come every thirty days, but then there have been
some ninety-day gaps, with the result that the average has
been one every sixty days and we are right at one of those
points of gap in the sequence that go into making the average
as of this meeting today.

So I know the Commission understands, and I believe
the industry should understand, that leases will be offered
sequentially as rapidly as it is feasible to select lease
areas for offer, and that are felt to be in the major public
interest to be offered at that time. Sometimes evaluation
and selection of these areas takes time, with the result that
we cannot always meet a one-every-thirty-day schedule, particu-
larly with the staff available to the State Lands Commis-
ion
at this time.

MR. CHAMPION: Let me say this: with this sort of
stutter we had in June, the sequential system is going forward
as it has in practice since 1960; that there is no change in policy and program, and that you can look to that experience as to what we expect to happen in the coming year -- in other words, a continuation of the same policy. That one deviation I think we had in June in the leasing, we would not expect that to happen again. I think that's about as good and definite information as we can offer. If you have got a specific inquiry or problem, I am sure that the staff will be glad to help you.

MR. KETCHUM: Mr. Chairman, I am not attempting to belabor the situation, but I was trying to get an idea of how many we would have during the remaining year, and I would gather from Frank's statement we might expect two or three.

MR. CHAMPION: I think normally you would expect more than that. On a sixty-day basis, you would save six in a year. We have now had two that would be gone; at least four more, possibly more than that, depending on how they come in the fiscal year.

The date, time and place of the next Commission meeting -- Tuesday, August 18, 1964, at ten a.m., in Sacramento.

Is there anything further to come before the Commission? (No response)

We stand adjourned.

ADJOURNED 11:50 A.M.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing forty-eight 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 July 28, 1964.

Dated: Los Angeles, California, August 5, 1964.

[Signature]

LOUISE H. LILlico.