TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA
August 18, 1964

PARTICIPANTS:

THE COMMISSION:
Honorable Hale Champion, Director of Finance, Chairman
Honorable Glenn M. Anderson, Lieutenant Governor
Honorable Alan Cranston, Controller

Mr. F. J. Hortig, Executive Officer
Mr. Alan Sieroty, Executive Secretary

to Lieutenant Governor Anderson

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

APPEARANCES:
(In the order of their appearance)

Mr. James Harvey Brown, Councilman,
City of Los Angeles

Assemblyman Charles E. Chapel.

Mr. A. O. Spaulding, Petroleum Administrator,
City of Los Angeles

Mr. Leonard Shane, President Los Angeles
Recreation and Parks Commission

continued
1. APPEARANCES: (Continued)

Mr. Karl Ourston, Principal City Planner, Los Angeles Planning Department

Dr. H. H. Levine, Oil Well Committee, Marina Peninsula Property Owners Association

Mr. L. E. Scott, Pauley Petroleum

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

Mrs. James P. Crowley, Citizens Committee for Preservation of Public Beaches and Parks, Long Beach

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MR. CHAMPION: The meeting will please come to order. Minutes of meetings of April 29, May 8 and May 28, 1964, having been furnished to the Commission, what is your pleasure?

GOV. ANDERSON: I move.

MR. CRANSTON: Second.

MR. CHAMPION: Stand approved without change. For the convenience of both the Lieutenant Governor, who has to leave early, and some witnesses who are here, we will take up Calendar Item 13, which is approval of resolution, oil and gas lease, City of Los Angeles, Santa Monica Bay, Los Angeles County. Mr. Hortig, what is the status of that item?

MR. HORTIG: Mr. Chairman, if the Commission please, actually Item 12 -- which would be determination of Commission policy which must be determined precedent to consideration of the approval of the resolution -- would appear to be the first one that should be considered by the Commission.

GOV. ANDERSON: They are both the same?

MR. HORTIG: That is correct. One would be general policy.

MR. CHAMPION: One is general policy and the other as to Los Angeles?

MR. HORTIG: Well, tidelands under the jurisdiction of the State's grantees without reference to specific location.

MR. CHAMPION: Would you please expound on the recommendation of the staff on Number 12?
MR. HORTIG: As outlined on pages 49 and following of the calendar before the Commission, the Commissioners will recall that at the meeting on July 28th action on the subject was continued in order for the staff and the City of Los Angeles representatives to conduct a joint review of the drilling and production technology of the oil industry relative to the development of offshore oil and gas deposits to determine any method of operation that would result in an economically feasible oil exploitation program and also satisfy esthetic requirements.

Pursuant to this directive of the Commission, the subject has been reviewed and discussed with the Petroleum Administrator of the City of Los Angeles, and it was found that the various departments of the City with responsibility in this operation have heretofore made a comprehensive study of all anticipated problems attendant to offshore operations and these studies are attached to the Commissioners' calendar as Exhibit A, being primarily the results of the reviews by the City Recreation and Parks Commission and the City Planning Commission, which culminated in the adoption of an ordinance by the City Council of the City of Los Angeles with respect to the proposed operation.

The Planning Commission, after a full discussion of offshore development and suitable controls which could be reasonably exercised thereon, reached the conclusion which is specified in greater detail in Exhibit 7, a part of Exhibit A
of the Commissioners' calendar, "that the City has the responsi-
bility to provide adequate control of this development to as-
sure that it will not be materially detrimental to the scenic
and recreational features of our limited coastline. All off-
shore oil drilling techniques, the ocean floor completion,
the island and the platform are subject to certain limitations
that make their use unfeasible in given situations. Such fac-
tors as depth of water, depth of oil sands and quality of the
oil will determine the most feasible method. To limit all off-
shore drilling to one single technique when most of these
critical factors are still unknown, would appear to be undesir-
able and could seriously limit potential development."

As a result of these recommendations, the City
Council adopted Ordinance No. 126825, authorizing the manner,
method and controls over the proposed development, a copy of
which is attached to the Commissioners' calendar as Exhibit B.

Further, the staff of the Lands Division did make
an estimate or an evaluation of possible net profits which
might result from the development of the proposed parcel from
a drilling and production platform compared to the use of ocean
floor completed wells -- and those ocean floor completed wells
it must be noted would in all probability also require a pro-
duction platform, so that such an operation would not be com-
pletely devoid of any platform installation whatsoever, in
order to make it feasible -- and on the basis of such a com-
parison it is indicated that more revenue could result to the
City from the use by its lessee of a drilling and production platform in the development of oil and gas deposits, where those oil and gas deposits are located and the platforms would be located more than a mile from the shore, which is the specification provided by the City Planning Commission as well as by the City ordinance.

In view of the detailed study and conclusions that have been reached as to feasibility for an operation by a trustee of granted lands, and the detail which has been completed by the respective agencies of the City of Los Angeles, who is the trustee in this particular area, it is recommended that the Commission establish a policy for consideration for approval of applications by coastal communities having an intention to develop the petroleum resources under their jurisdiction when such application is based upon complete review and comprehensive plan, enforceable by ordinance, for governing offshore activities within the respective municipal limits.

Incidentally, also, there is a letter to the Commission from the Western Oil and Gas Association, an industry association, which recommends consideration by the Commission for approval of the proposed development plan as it has been submitted by the City of Los Angeles.

MR. CHAMPION: I also received a copy of a letter from Mayor Yorty. Do you have that?

MR. HORTIG: It is comparatively brief, Mr. Chairman. Should I read this letter for the record?
MR. CHAMPION: Have the Commissioners received it?
I don't think there is anything -- the letter simply is a
supporting statement of what has been said by the Petroleum
Administrator for the City. Did you receive a copy?

GOV. ANDERSON: I believe so.

MR. HORTIG: I think I should point out to the Com-
mission there is a specific implication over and above what
has been reported to the Commission before -- at least in
detail.

MR. CHAMPION: Will you read that?

MR. HORTIG: That over and above the prior possible
drainage which has occurred to the tide and submerged lands by
reason of prior discoveries of oil at the Venice Oil Field, and
I quote:

"More currently, the Standard Oil Company expects
to file application for the establishment of four oil drilling
districts between the City of Santa Monica and Marina del Rey
within two weeks. Because these anticipated districts are
located again contiguous with our shoreline properties, our
tide and submerged lands may be expected to sustain still
further drainage of oil reserves unless the City and State
act promptly to prevent it.....

"In summary, the City of Los Angeles is aware of
its obligations to the residents of the Santa Monica Bay
region, to make sure that the oil operations do not permanently
mar the seascape and destroy property values. At the same
time, we have been entrusted by the State with the careful administration of our granted tide and submerged lands. To ignore the implications of continued Venice Oil Field production and the future plans of the Standard Oil Company would be to run the risk of breaching of our trust obligations. Hence, we respectfully request that the State Lands Commission approve our petition when the matter is considered August 18, 1964."

MR. CRANSTON: Is it your opinion that the City of Los Angeles has imposed controls that are equivalent to the controls we presently have in tidelands that are entirely under our jurisdiction?

MR. HORTIG: Under the specific plans which would be required for development under the City ordinance, the answer is yes.

GOV. ANDERSON: I don't understand that.

MR. HORTIG: In other words, the controls for the particular situation under consideration for proposed operation under a City ordinance which has a limited area of geographical application to specific parcels of tide and submerged lands.

GOV. ANDERSON: Because this is a very limited area. How does this compare with controls we have off Santa Barbara and Orange County?

MR. HORTIG: For all purposes equal to the Commission's -- operational and esthetic.
MR. CRANSTON: That was my question -- operational and esthetic. It seems to me that that being the case, our position should be that we should approve the application. As the first step, I move that we accept this policy recommendation.

GOV. ANDERSON: I want to ask some questions.

MR. CHAMPION: I think we also may have some witnesses. Let's at least call for testimony on this subject. Is this the subject you wish to be heard on, Assemblyman Chapel?

GOV. ANDERSON: Let me ask Mr. Hortig a couple of questions first. You stated the Western Oil and Gas Company had indicated that they wanted us to adopt the policy that the City of Los Angeles is recommending; in other words, they want the island, rather, the platform drilling. Can you tell me why?

MR. HORTIG: Yes. Without finding the particular letter from Western Oil and Gas....

GOV. ANDERSON: They felt it would be cheaper and they would make more money on it?

MR. HORTIG: No, sir. I think the recommendation is based on the same considerations by the City and definitely by the Lands Division, that to render any development program economically feasible at all requires the flexibility for engineering selection of the most effective efficient methods of production development, whether they be by platform island or ocean floor completion, as the Commission has considered....
heretofore with respect to other lands, provided that control
conditions are specified -- and would be under the City ordi-
nance -- to assure that there be complete protection against
and no detrimental effects occurring to the developed shore-
line -- residential and recreational activity on shore.

GOV. ANDERSON: You are losing me there. Basically
what you are trying to tell me is there isn't enough oil in
that area to warrant ocean floor drilling; that it is more
expensive and either the quantity or quality of the oil might
not be enough to warrant that kind of drilling?

MR. HORTIG: This might be the case; we don't know.
On the other hand, if as a result of the exploratory drilling
it is determined that there is enough oil not only near shore
but for three miles out, to assure maximum development could
require that drilling take place through all the means that
are available for oil drilling production -- slant drilling
for that oil closest to the soil; platform for that in water
not beyond the depths of platforms; and possibly ocean floor
completions for only the reason that platforms cannot be oper-
ated in water of excessive depth. We have ocean floor com-
pletions on State leases that are there today simply because the
area could not be developed by platform or island because the
water was too deep, but the ocean floor completions are not
there simply because of esthetic consideration but for opera-
tional necessity or there would be no development.

GOV. ANDERSON: Then your answer is we do not know
whether there is enough or not enough oil to sustain ocean
floor drilling. We can't say the reason we cannot use ocean
floor drilling is because there is not enough oil or the quality
is not good enough. They do not know that, either.

MR. HORTIG: That is correct. I think it goes one
step further. We do not know there is oil there at all.

GOV. ANDERSON: We had the same situation in Santa
Barbara, when we started the ocean floor drilling there.

MR. HORTIG: The primary problem in Santa Barbara
with respect to ocean floor drilling was that a specified
method of development came into the leases that were issued
and offered by the Lands Commission at the request of the Santa
Barbara County Board of Supervisors and the City Council of
the City of Santa Barbara in public hearings, which are re-
quired by the Public Resources Code to be held by the Commission
before offering an area for lease. The Santa Barbara County
Board of Supervisors on behalf of the residents, and the resi-
dents who testified, stated that for the area easterly of
Gaviota to the easterly boundary line of the County of Santa
Barbara, operations would be satisfactory if platforms were
located not less than at least one mile offshore. Therefore,
for development of any oil deposits within that one-mile zone,
these are being developed by ocean floor completions. Beyond
a mile, they are being developed...

GOV. ANDERSON: Do they know there is any oil there
any more than here?
MR. HORTIG: Not then.

GOV. ANDERSON: But they are using ocean floor development, so the argument they do not know here wouldn't apply.

MR. HORTIG: Actually, the proposals under the ordinance of the City of Los Angeles also propose that there be no platforms or structures in the first mile offshore. An operator who was successful in discovering oil in that first mile would be required to develop this oil either by slant drilling from the upland or by ocean floor completion.

GOV. ANDERSON: When you arranged this movie for us a couple years ago, when you showed us how the ocean floor drilling was the thing of the future and how this was going to be the answer to navigational problems and esthetics and everything else, I don't remember that you explained to us that each time there is going to be one of these there is going to be a production platform necessary on each one. You said we would not even know there would be a well down, except there was a little buoy on top of the water. Is this different today?

MR. HORTIG: No, sir. For a group of wells, it might well become necessary that there be a production platform; and, as a matter of fact, in the interim...

GOV. ANDERSON: We are only talking about perhaps one or two wells.

MR. HORTIG: Oh, no sir.

GOV. ANDERSON: You explained there might be two...
islands in this particular case.

MR. HORTIG: These would be two platforms that would be sufficient to provide the drilling capacity to cover the area more than a mile offshore and in water depths not too great to support a platform. In other words, an ultimate development — let's hypothesize a complete discovery in the total area and necessity for developing the total area to its maximum drilling density in accordance with the best reservoir and engineering practice. It is conceivable that the development could be engineered and should be engineered to contemplate wells onshore slant-drilled out into the first half mile of the offshore zone; ocean floor completions on the second half mile; two platforms covering the area from one to two miles offshore; and possibly a series of ocean floor completion wells in the second to third mile because of greater water depths.

GOV. ANDERSON: If they had ocean floor drilling out here, they would have to have how many production platforms for what they are talking about now — one or two or how many?

MR. HORTIG: This we do not know, Governor, until we have the type of oil in hand and the production problems resulting from a discovery. Our best analogy is a State Lands lease off Santa Barbara, that started to be developed with ocean floor completion wells only because of excessive water depth. Because of the low gravity of the oil, the cold water it was discovered that the oil could not be carried all the...
way to shore, that the oil congealed; and in consequence, to
alleviate this production problem, there has now been estab-
lished at the approximate center one platform for fourteen
wells. But this is the only lease on which we have had to do
this as yet, but because of the particular type of oil.....

GOV. ANDERSON: From what you said a few years ago,
you said the oil could be piped into the facilities on shore
and this could be the answer to our esthetic problems. Are
we now looking in the other direction?

MR. HORTIG: Not at all. We said at the time of
that presentation, you will recall, that this could not be
considered the panacea to all problems but it was going to be
an asset where applicable and particularly for near-shore com-
petions. The logical situation still is to pipe the oil on
to shore and this is done on every one of our other State leases.

GOV. ANDERSON: A mile out is not close enough to be
feasible?

MR. HORTIG: It can be depending on the quality of
the oil. We are doing this on some of the State leases; yet
we have another lease where we can't do it. This is simply
because of the quality of the oil.

MR. BROWN: Mr. Chairman, I have this problem --
that the Council convenes at ten and I am about overdue.

ASSEMBLYMAN CHAPEL: I yield.

MR. BROWN: I am James Harvey Brown, City Council,
and merely want to put the Council on record as approving the
recommendation that the lease which the Council has adopted be approved. We have a number of experts here who are better able to testify in connection with the new S.L. zone and the lease which the Council approved under the recommendation of its committee; and, as I say, Mr. Chairman, I am no expert and not qualified to discuss it in detail, but the Council is satisfied that the esthetic and economic situations are well taken care of in the new S.L. zone and the proposed lease.

GOV. ANDERSON: Jim, is it my understanding that your staff recommended ocean floor drilling and that then the Planning Commission, or whoever it was, came back and said, "No, give us an alternative," so then they came back with the island? Wasn't the original recommendation of your staff for ocean floor drilling?

MR. BROWN: I think you are probably right; but I think one of the problems, Glenn, is the problem of oil, assuming there is any. It is the kind of oil that is presumably there that we would have trouble with in ocean floor drilling.

GOV. ANDERSON: That the quantity or quality is not good enough?

MR. BROWN: The quality. The quantity is, of course, undetermined; but the quality, I suspect from what we know about the other wells producing in the area, is such that it doesn't lend itself to ocean floor drilling too well.

GOV. ANDERSON: If the quality is low and the
quantity is either low or undetermined, shouldn't we think an awful lot before we do anything over there?

MR. BROWN: Except that we are in the position of having our pool, again assuming there is oil out there, drained by onshore drilling. If there is oil, we need the revenue very badly for our beaches. So we do have concern about the fact that our pool, if there is a pool, is being drained.

GOV. ANDERSON: But if it isn't good enough quality or enough quantity to use the ocean floor, it probably isn't very much anyway? I mean, if it is enough to make it worth while, it should be enough to make it worthwhile to do it right; and if we allow you to do it, isn't El Segundo, Redondo, and so on going to say 'We may have something out there, too,'' and we are going to have everyone running out there with wells.

MR. BROWN: I am assuming the State Lands Commission is going to safeguard your condition.

GOV. ANDERSON: That is what we are worrying about today.

MR. BROWN: I think that is your prime concern.

GOV. ANDERSON: Well, if we let you do that, can we go to El Segundo, Redondo and Palos Verdes and say that they can't?

MR. BROWN: From a practical consideration, I don't think so, but if they follow the safeguards we propose you have no concern. I think with the safeguards for this S.L. zone, together with the proposed lease, the esthetics are
safeguarded in this matter. We do have a very real concern that our pool, if there is any, is being drained. I don't think there is any question about it, particularly with the Standard Oil application coming in.

MR. CHAMPION: Thank you, Councilman. Let's hear now from Assemblyman Chapel. He has been patient with us and I appreciate it very much.

ASSEMBLYMAN CHAPEL: Thank you, Director of Finance Champion, Controller Cranston and Lieutenant Governor Anderson.

(Portions of Assemblyman Chapel's remarks were considered to be off the record, other portions were not intelligible to reporter)

Now, here's the whole thing. I am really serious about this. No one paid me. I have no reward, but I want to tell you what I am here to tell. I am not like a lawyer; I don't lack a foundation in this case. I was told this thing had already been passed upon, but if you will hear me out a few minutes and see why the State Lands Commission and the State of California should postpone their decision, I don't have to say that a week or two is long enough for me to find some impartial oil experts.

Now, here's the thing, gentlemen. On the face of it, item 13, they are asking for approval for the City of Los Angeles apparently for the right to drill offshore, as the case may be. I can't speak about oil jargon. Now going down you will go down to the City of Santa Monica, an incorporated
independent city. I am not going into that -- they have
people here to speak for them; they are not my people anyway.

Now, the City of Venice is part of the City of
Los Angeles, incorporated. I have with me the original grant,
a photostat. Now, originally Venice was an independent city,
at least it wasn't part of Los Angeles -- whether it was
county territory or not -- and they had a grant, what we call
an ancient grant. If you don't mind, I use the words "ancient
grant" and that distinguishes it from modern grants with no
oil and gas. If you will let me use the words "ancient" and
"Modern" grants, you will know what I am talking about.

Venice acquired an ancient grant before they were
incorporated into the City of Los Angeles. Now, they have the
right to drill, explore and drill.

Now here you drop down, they act like a different
city, yet they too are part of the City of Los Angeles and
because the City of Los Angeles has the same grant, you can
drill for oil off Venice because they have an ancient grant.

Now, I am going to drop down to El Segundo. That's
an incorporated city, doesn't have any kind of grant because
they don't want it. I tell them "Get a modern grant." They
don't want it. "It's just the police problem; you can chase
the drunks off, otherwise the drunks stand out there. You
have tidelands rights -- with a boat you can put the bracelets
on them." But they don't want it. I said, "All right, no
grant." Believe me, that's El Segundo. Everybody wants to
get money and no one wants to pay taxes. To go down the row, they don't have any. Now, the State can drill for oil and gas and El Segundo can't do a thing about it. I also represent El Segundo, also represent Los Angeles, a large part of it.

Now, we drop down -- and normally you look at the map; I have a map here, it's an old one showing tideland grants on it, but it doesn't have some of them. Dropping down, there is a No Man's Land, which I think is Los Angeles territory, between El Segundo and Manhattan Beach -- El Porto is county territory. What does that mean? El Porto isn't a city, it's county territory. Now, this is a curiosity that very few people know. It is a little narrow strip that fronts on Santa Monica Bay. It is an inlet of the Pacific. I am not playing games with you. That's county territory. Now, whether the county has the right to drill for oil and gas, I don't know...

MR. HORTIG: No, sir.

ASSEMBLYMAN CHAPEL: That means all the State has to do is let a lease offshore and truly we need that money to balance the budget, and the Director of Finance knows that. This is one way to get it without an increase in taxes. I am not kidding. Now, we get down there -- there you have that nice little juicy inlet, that No Man's Land in Los Angeles County and the State can get plenty of dough for drilling. The geologists think and hope and believe there is an oil pool out there. Last night I phoned three. I got them by surprise; hey were already in bed. .........
Now, we drop down behind El Porto and there is Manhattan, and they only have police power. They have a grant. Oil and gas, the State can have that there because it is reserved to the State -- there is no question.

Down in Hermosa Beach, they curiously enough have an ancient grant and every time they have an election they have a vote on it. Anything of importance in Hermosa Beach, they immediately divide against it. This is the way they think. Now, Mr. Cranston spent a summer there and he didn't politic or nothing. He made more friends sitting around with that smile of his than I could in a dozen days passing out literature with my ugly mug. Now, this may surprise you, but this is true. I must have had ninety-five Republicans tell me they were going to vote for Cranston because they like him. Some people vote for me because they hate my opponent more than me. Anyway, there's Hermosa Beach that has the legal right to drill for oil but every time they vote on it, they get turned off. Therefore, the State has the right. These ancient grants are in trouble. In other words, it is the trust, and the State is granting this subject to their exercising their rights. The State has the right to say, "You didn't drill; we can drill." I hope you don't, but if you don't believe you have that right, ask the Deputy Attorney General and if he doesn't know there are plenty of men who serve as career men who can give you advice.

Now you come down to Redondo Beach and they are trying
to put money in that harbor. Unfortunately, they can't pay the interest on the revenue bonds. So what will happen there, I don't know.

Now, going back to it again rapidly, Venice -- part of the City of Los Angeles -- has an ancient right and can drill for the oil if it is there. Any expert that comes in and says there isn't oil there, isn't a real expert; a real expert always says he might be wrong.

MR. CHAMPION: I think, Assemblyman Chapel, that the Commission is fairly well acquainted with the various grants and the rights involved.

ASSEMBLYMAN CHAPEL: I will come to the point. You realize the State has the right -- it is a clear and present duty; and it may be a danger to some people, but it is a clear and present duty to get money that we need darn bad for that budget, because the people come in faster than we can pay for them. Therefore, the State has the right beyond any question to move in and drill.

Now, if you give Los Angeles the right to drill -- and I won't say you should or shouldn't -- there's one Coronado geologist believes there is a big oil pool. They believe it extends from the coast of Santa Monica, certainly Venice, clear down to Hermosa Beach. You will have to admit even expert geologists even only give you the best possible guess they can give. That's all they can do. Even if an M.D. says you are dying, and doesn't operate, you might recover. He might be
the most sincere M.D. in the world. You might recover from a ruptured appendix; on the other hand, you might die on the gurney if they operate.

I mention this to you -- the reason I am asking for a postponement or continuance -- I have actually written asking you to postpone the thing and I found out I didn't know what I was talking about and Mr. Hortig was kind enough to tell me you would hear me. I am only saying to you if Los Angeles gets permission, they will pump and pump like the devil and what oil will they pump? They will pump oil that belongs to the State. I am not an oil man or a lawyer. I am not even an attorney in fact. Now, I do know what I don't. I don't know whether there is an oil pool over there or not and I don't know whether when you drill you hit oil or water or you might get sawdust. I am not here on the esthetics. I am here on the economics. When Los Angeles drills, they are the first to move out; when they start pumping like the devil, they will pump State oil -- and the State needs money to balance the budget. Mr. Champion knows the State needs the money. He knows it very well and I know he agrees with me on that. Here is an opportunity -- I hate to say anything against Los Angeles; it is half of my district -- only I am asking if you can give the State a continuance or give the people a continuance or postponement long enough for me to try to find some impartial oil men. I think I have to borrow them from the university. If I can get some oil experts in here, if you
don't know it, all right. If you do, you can take action today. If you have any technical doubts on this, then I can get oil experts in here to say that there is a pool to the best of their belief lying offshore all the way from Hermosa Beach, all the way up the Bay. Whether they told the truth or not -- I think they were telling me what they believe.

At this point, I ask you to either deny the thing -- I hate to deny Los Angeles anything, because they need money. I know they need money, but so does the State and this is a race to see who gets the dough; and if we give Los Angeles the first chance, they will get the State's oil.

Have I presented my case so everybody understands it?

MR. CHAMPION: I think so, and I think we understand you. Actually, we try to make an equitable division of the proceeds. I think Mr. Hortig is prepared to deal with the question you raised. You asked whether we know about this pool, what we know about it, what its potential may be; also what effect it might have on other cities' rights or State's rights. Can you give a quick answer on that to Assemblyman Chapel?

MR. HORTIG: Well, in summary, as to the areas in which the State still has jurisdiction, these would not be available under State law for any oil development unless and until such lands are threatened by drainage from adjoining lands. So whether the State lands would be developed would depend upon the establishment of a successful operation by the
City of Los Angeles or by the other grantees.

ASSEMBLYMAN CHAPEL: I see your point. In giving a permit, Los Angeles sticks somebody for the right to drill and they have to explore, and then they have the right to come back and pump oil...

MR. HORTIG: The State would...

MR. CHAMPION: As a matter of fact, according to our counsel, the function we here perform is largely a ministerial one and they pretty much have the right in law to proceed.

GOV. ANDERSON: I understood that they have taken another look at that and we do have a little more authority.

ASSEMBLYMAN CHAPEL: I think you have more authority than you think you have.

MR. CHAMPION: I'd like to hear from Mr. Shavelson, who I think has researched this subject, and is an attorney in fact.

ASSEMBLYMAN CHAPEL: I know I have been called a lot of things behind my back, but, Mr. Champion, do you realize there is a possibility -- not now, because there is a general election coming up -- that Congress or the United States might decide they want those tidelands back, so they can get the money?

MR. CHAMPION: That question has been raised off and on.

ASSEMBLYMAN CHAPEL: I have been told by very senior Senators and the majority party -- I think it may be the
majority party a long time to come, I don't know; you never
can tell what the voters are going to do -- but I have been
told on the phone and in letters that they are considering,
that the Congress is considering the idea of getting these
tidelands back. I think the thing to do is, if anybody is
going to get oil, let's do it before anybody else gets it.
If I understand Hortig, let Los Angeles go in and if there is
oil, let the State move in.

MR. CHAMPION: That is true once it is established
that there would be drainage on lands over which the State has
jurisdiction,

ASSEMBLYMAN CHAPEL: That would give the County the
right at El P rto?

MR. HORTIG: No.

ASSEMBLYMAN CHAPEL: Then the State can do it.

MR. CRANSTON: Mr. Champion, I'd like to hear Mr.
Shavelson.

MR. SHADELSON: Under Section 7058.5 of the Public
Resources Code, before issuing a lease such as this, the City
of Los Angeles would have to pass a resolution which would in-
clude a great deal of information, including the rental, the
royalty and other considerations, the term of the lease or
agreement, and the form of the lease or agreement; and that
resolution must, of course, be approved by the State Lands
Commission before the City can issue the lease.

Now, since 7058.5 does make reference to the form of
the lease and since the kind of restrictions we are talking about today would be a part of the lease, then I think that quite properly the State Lands Commission can consider the sort of things it is today.

MR. CHAMPION: We look to the content, as well as the form of the resolution?

MR. SHAVERSON: In my opinion, yes.

ASSEMBLYMAN CHAPEL: Can I ask the Chairman -- I tried to lay it on the line. As near as I can find out, I have the documents and I think there is no argument -- these are old grants. Now, where do we stand now? Do we need to change for the benefit of the State?

MR. CHAMPION: I think we need to hear from a number of other witnesses.

ASSEMBLYMAN CHAPEL: I hope they will tell you whether they are speaking of hope for reward or headlines.

MR. CHAMPION: I don't think they will feel any more restricted in telling us what they think than you do. Thank you very much.

ASSEMBLYMAN CHAPEL: Thank you.

MR. CHAMPION: In what order does the City of Los Angeles wish to present its case.

MR. SPAULDING: Mr. Chairman, members of the Commission, let me say at the outset that I can't possibly hope to compete with my predecessor up here. What I would like to do with your indulgence is to introduce those dignitaries we have
here as witnesses in connection with our project in Santa Monica Bay. Now, you have already heard from Councilman James Harvey Brown, who had to leave for Council business. In addition, we have Mr. Leonard Shane, President of the Recreation and Parks Commission to present the point of view of his department. We have Mr. Bill Frederickson, who is the general manager of that department, to describe how some of the revenues from that project could be spent in the Venice area. In addition, we have Mr. Karl Ourston from the Planning Department, primarily to answer the questions you might have, Governor Anderson, in connection with the program. Finally, we have Mr. Spencer L. Halverson, Deputy City Attorney, if there are some legal questions to answer.

MR. CHAMPION: Are all the gentlemen involved in agreement that they wish to have us proceed?

MR. SPAULDING: I think that is the case.

MR. CHAMPION: In the interest of time, I think obviously what you are concerned about is convincing the Commission to follow this course; and we might just raise the questions that the Commission would like to raise and get the answers to that. Perhaps that would be the most expeditious way to proceed.

MR. SPAULDING: Whatever your wish is, Mr. Shane does have a statement he wishes to present at the outset.

MR. CHAMPION: Fine. Let's have the statement.

When Governor Anderson leaves, Mr. Sieroty will ask questions
MR. SHANE: I am going to be extremely grateful that the City of Los Angeles is presenting a united front today, which is quite unusual.

GOV. ANDERSON: Does that indicate there is something unusual about it?

MR. SHANE: The Board of Recreation and Parks, for whom I am speaking today, is unanimous in support of the oil program. There are many reasons. The reasons will be dealt with -- economics and so forth; but we have some very definite concerns and I understand those concerns are shared by others, and those are the esthetic concern.

When Mr. Spaulding appeared before our board to get the general approval, we asked the same esthetic questions that are being asked by Governor Anderson and now by many people. We received some assurances and it is on the basis of those assurances that our board is supporting the program -- assurances of a minimum disturbance of the esthetic picture. We asked some very pointed questions, for example, will this exploration end in producing platforms, how many platforms, and how far apart. The answers we received -- and Mr. Spaulding can speak for himself -- he said to our board there were two platforms, none closer than a mile in. We are talking about platforms which are not of the old and ugly type, but would constitute a minimum menace to navigation and a minimum violence to the eye of the person observing the area.
We have some definite problems in connection with
the beach. We have some erosion problems, which are going to
require the expenditure of a great deal of capital funds.
This is where the money would go from the program -- it would
go back into a resource which we have discovered is in jeopardy.
We have had to build a number of groins. We have had to
protect the sand where erosion has taken place. We are, as
all government, extremely short of capital funds. Here, then,
is an area where we can acquire capital funds at minimum vio-
lence to the esthetics and presumably use this as a device
for the general benefit for those who would make use of the
facilities, which would otherwise be limited.

So on behalf of our department, I want to reiterate
we feel we have received sufficient assurance on the esthetics
and on that basis we feel we have full control of the problem.

MR. CHAMPION: Governor Anderson, since you have to
leave, do you want to ask any questions?

GOV. ANDERSON: First, Leonard, I know your concern
for esthetics, because I know when you were in the Inglewood
area before you moved into the valley, at that time you were as
concerned with maintaining the esthetics and beauty and clean-
ness as I am of the beach along there; and, of course, Los
Angeles is only a small portion of the Santa Monica Bay when
you take in El Segundo, Manhattan, and others. I know your
concern with the City of Los Angeles is not a new one. For
the many years I was in the Legislature representing this
district, there was the dumping of raw sewage and other things
which we felt didn't destroy but made a lot of people unhappy
going to what we contend have been the finest beaches in Cali-
forinia; but with what has happened, the sewage plants and
other plants, people don't want to go there any more. They
want to go to Newport or Balboa.

Now, I see an effort on the part of Los Angeles and
other cities to bring it up, so it is something to be proud
of, and I am very much in favor of what Los Angeles is doing,
and the other cities, along Playa del Rey. But now I am
afraid we are doing something that would undo what we want to
be done. I wonder if there is a breaking point of the money
coming out of this development -- if it would be worthwhile
at all. I tried to find out if this is good quality in this
proposed pool. Is there enough to make it worthwhile? It
has been told to me one of the reasons the City of Los Angeles
has been told they can't get bids is because there isn't
enough for the oil companies to do ocean floor drilling, but
they can do it cheaper by platforms or something. So maybe
we are not talking about enough oil to make it worthwhile to
go into an area and endanger our beaches and our waterfront.

I know you have been into this much deeper than I
have because this is your area and your concern. I wonder if
you have enough evidence to show that there is enough oil.
The quality isn't enough for ocean floor drilling. That's the
reason you are going for platforms, and maybe if this is the
case, shouldn't we not destroy the esthetics of our beaches?

MR. SHANE: Mr. Anderson, as recently as last Thursday, Mr. Spaulding appeared before our Council. I asked the same questions. I asked what it is worth in dollars and cents. The estimates we received are presumably the same as you have heard -- that nobody knows what range of dollars we were talking about. That was presented to us as so wide -- when you are talking about a range between a couple of hundred thousand dollars for exploration or a couple million dollars if you hit the jackpot. The estimate is not worth anything at all.

I would agree if you had a minimum facility which was not economically feasible in the true sense for the producers, if it was marginal in that it required activities of the type that we find repugnant, I would agree we would have great reservations; but the picture as it is portrayed by several people, people far more expert than I, is that there is not a twilight zone in this. It is either going to work or not going to work because of the magnitude of the thing. If it is marginal, I would presume the exploratory projects would be abandoned. On the other hand, if they were economically successful and this would mean the economic return we are talking about, then you build in the safeguards.

MR. CHAMPION: May I ask at that point would the City have any part in that determination, or would this be entirely the determination of the oil company?

MR. SHANE: Are you talking about the esthetics?
MR. CHAMPION: No. At the point this decision was being made, who finally would make that decision?

MR. SHANE: Let me answer by indirection. Since we are planning -- and I want to say we have received assurances as a board and therefore transmit assurances in the same way -- since we are planning to delimit the esthetics on this, we are talking about two platforms in five linear miles. Marginal oil production would not be able to sustain the distances and esthetic limitations we are talking about; so in that sense I believe it would be by the producer, who, if he could not meet the restrictions because of the economic facts of life, would have no choice. I would presume if he came back and asked for a waiver of the esthetic requirements, he would be denied.

MR. CHAMPION: But under the circumstances originally granted, control passes from the City and the decision is made on the basis of the producer on economics. The economics is some future factor -- the City has no voice.

MR. SHANE: Yes, sir -- except that the esthetics are delimited.

MR. CHAMPION: You can't change what you now propose. You reach the agreement and from then on the company makes the decision and there is no further entry of the City.

MR. SHANE: I looked at Mr. Spaulding, because he would know if there was an angle under which you would do this. The presumption is a safe one and that is, once the lease is
granted, it is the holder of the lease and, therefore, the economics that would determine whether he would proceed with a major operation. What I am saying -- if he has a marginal operation which would not sustain the type of requirement that would be imposed upon him from an esthetic standpoint, then if he came in for relief, this would be denied; and I think this answers the other side of it, because I do not believe the City of Los Angeles is prepared to compromise the standards we have put on the esthetic condition. The esthetic condition was a condition precedent in this matter.

GOV. ANDERSON: You mentioned two platforms and a great many wells. How many wells are you thinking about?

MR. SHANE: The question I asked, and I will relate the answer because again you have the same question we have -- "What are we talking about in wells?" "Well, maybe we are talking about up to twenty serviced from each platform."

GOV. ANDERSON: You are talking about not to exceed forty wells?

MR. SHANE: I can't say that. Maybe Mr. Spaulding should comment on this. I asked how many wells can a platform handle; and since we are talking about two platforms, we multiply it by two.

GOV. ANDERSON: In other words, you said you had two platforms servicing a great many wells...

MR. SHANE: Yes, to me twenty is a great many.

GOV. ANDERSON: You also used a description of this
new esthetic platform and I was kind of interested because I haven't seen one of these. The ones I am thinking of go up many feet in the air with unsightly derricks. Tell me about this new look.

MR. SHANE: I am not talking about a new esthetic platform in that sense. I am talking about not some of the ugly things we have seen elsewhere.

GOV. ANDERSON: How tall would these things stick up there when they are cleaning and servicing them?

MR. SHANE: I would prefer more knowledgeable people answer that. The question we asked was were these platforms to be more acceptable than some I have seen; and having seen them at close range from a boat, I think they were.

GOV. ANDERSON: You are aware that if they were being serviced they would be sticking up one hundred fifty feet above the water?

MR. SHANE: Some of the time.

GOV. ANDERSON: During the drilling and servicing time; and they keep moving them. You drill one and drill another, and so on. I am not too sure there would be much time they wouldn't be up there.

MR. SHANE: It was represented to us that the tall derrick would be there part of the time.

GOV. ANDERSON: Supposing you were to drill ten wells from a particular site -- the minute you drill one and finish that, you go to the other. The derrick is still up
there. Perhaps the time you got the last one finished, you start servicing the others. I don't see much time when you don't see the derrick up there.

MR. SHANE: I am way over my head in talking about specific times.

MR. CHAMPION: Could Mr. Spaulding come forward and stay with you and deal with these questions, where he has supplemental information?

MR. SPAULDING: Your question relative to the care of any platform I think might best be answered by Mr. Hortig, who is much more familiar with these platforms than I am. However, I do point out that our ordinance and lease forms do provide for maximum flexibility -- the City maintaining approval of all installations proposed by the operator of the property.

I think there is nothing terribly novel concerning the nature or appearance of the platform. I think probably you have seen most of these; but our efforts will be augmented by those of the chief zone administrator in the City of Los Angeles, as he does in the upper portions of the City, and it is our hope that these platforms will develop a new appearance, rather than the appearance of those you see offshore Santa Barbara County.

GOV. ANDERSON: How can they? How can they be much different? If you are going to have ten wells from each drilling site and your derrick sits up there a hundred fifty or hundred seventy-five feet above the water, your derrick keeps
moving around. How can you have some flexibility that says it isn't going to be sitting up there?

MR. SPAULDING: I think it will appear different. It will obviously be a platform, no matter how you disguise it; but it will be a different environment.

GOV. ANDERSON: I don't understand that. I don't know how you are going to disguise them.

MR. SPAULDING: The derrick sticking up over the platform will be removed after the drilling.

GOV. ANDERSON: How long is it going to take you to drill ten wells? You are going to have it up there continuously during that time.

MR. SPAULDING: Probably a year and a half.

GOV. ANDERSON: To drill ten wells?

MR. SPAULDING: Yes.

GOV. ANDERSON: How long is it going to take to service those wells, which also makes them stick up the same height?

MR. SPAULDING: Little less?

MR. HORTIG: Little less.

GOV. ANDERSON: How often do they have to be up there on ten wells during a year?

MR. SPAULDING: Your experience half the time?

MR. HORTIG: Less.

GOV. ANDERSON: Is it worth taking them up and down?

MR. HORTIG: They do.
GOV. ANDERSON: So for the first two years we are going to have them up continuously; from that time on we are going to have them up a little less than half the time.

MR. HORTIG: But at scattered times. In other words, that half the time isn’t six months continuously and six months off.

GOV. ANDERSON: I’d also like to know how they can make it look better. This is something that sounds good. The one specific I have heard from Mr. Shane, i.e. thinks they ought to be painted.

MR. SPAULDING: May I call Mr. Ourston to answer some of these questions concerning esthetics, in that he has had much more to do with the ordinance?

GOV. ANDERSON: Mr. Champion, I am going to have to leave. I have to catch my plane.

MR. OURSTON: My name is Karl Ourston. I am with the City Planning Department. I do not know that I have a good answer to Mr. Anderson’s question as to how they would improve the appearance of these oil derricks. They are going to be oil derricks and will look like them. I can only make this comment -- The way this ordinance is prepared it gives the authority and the duty to the Council to try to require any new innovations that may developed toward the appearance of this. Once the County has adopted an ordinance, as Mr. Spaulding has said, the final authority to give the permit is given to the zone administrator and he can require further
MR. CHAMPION: When you determined the economics of this field, would you be in a position to say, "In order to proceed further you must have ocean floor completion," and could you insist and maintain that position?

MR. OURSTON: Yes. The ordinance does permit the Planning Commission to recommend and the Council to adopt, and they are directed to do it -- that they require whatever facilities are available and practicable to protect the appearance and the use of the ocean as it now is used. So if it is determined that it is possible to use the ocean floor type of operation on any standard at all of economics reasonably possible, they can require this and are directed to do so; and in their deliberations on the adoption of this ordinance, the Commission went into a great deal of detail to see this was their intended program they will follow. In each case where this is established, the intention is to make this as little visible or detrimental to the ocean as possible.

MR. CHAMPION: Are your people satisfied not only with the general policy statement, but that there is a legal sufficiency here that you know you can do this?

MR. OURSTON: We think so. We have the advice of the City Attorney that we have the legal right -- when the agreements will be drawn we will have the legal right; and I know from our verbal statements they intend to do that.

MR. HORTIG: Might I interject, Mr. Champion, that
this is the basis for the staff recommendation for adoption 
of the policy -- that such application is based upon complete 
review and comprehensive plan enforceable by ordinance, and 
this has been explored by the staff.

MR. OURSTON: I might say the staff, in going over 
these matters in the ordinance, was of the conclusion that it 
might be possible to include the ocean floor completion; but 
in our studies we were assured this method was not always 
feasible and we had to have other methods available; but it 
is in our thought if this turns out this is the way it can be 
done, this is the way we will do it.

MR. CHAMPION: This is what concerns me -- beyond 
the economics of the situation; that you are looking at the 
economics. Th: City has an effective voice? The City can say 
at this point if it is dissatisfied, these must be ocean floor 
completion?

MR. OURSTON: Yes, it can.

MR. CHAMPION: And that is not a subject on which 
the oil company can make an independent decision?

MR. OURSTON: Oh, no. They are always subject to 
approval.

MR. CRANSTON: The need for beaches was mentioned.

MR. OURSTON: Yes.

MR. CRANSTON: Is the money specifically allocated?

MR. OURSTON: The ordinance puts the control of the 
money in our department all the way from the San Pedro breakwater
to the City limits. So it is their land and the income comes
to them. It is their jurisdiction. No other agency of the
City has the right to take the money away.

MR. CHAMPION: They don't have to spend it on the
beaches.

MR. OURSTON: That's true. They can use it for
other recreational, park purposes other than the beach. I
think public opinion would sway that.

MR. SIEROTY: I just wanted to follow up on the ques-
tion Mr. Champion asked. Originally your staff recommended
ocean floor completion wells be used and later the Commission
asked that an alternative statement be submitted. Now, your
statement here is that there will be control on the part of
the City after the lease is issued to an operator. Can you
show me in the ordinance where the City will retain that power?

MR. OURSTON: The ordinance provides that there shall
be an oil drilling district created of at least one thousand
acres of land and it is permissible to put in the reasonable
conditions in that oil drilling district that is deemed nec-
essary. The conversation has been that the conditions that
will be recommended, that is by the Commission, will include
that certain rights be given preliminarily as an exploratory
process and then additional rights imposed depending on what
comes out of that exploratory operation. So we have an open
field. By creating districts, we can put whatever controls
we want to put there. No one is aware at this moment, as I
understand it -- at least they haven't told us -- just exactly what they will find there. So we are in a position to demand no particular operation. So it is contemplated that the district will say something to this effect: "We authorize you to do an exploratory well to determine what is there under certain limited controls, with the requirement if wells are produced we will then determine the ultimate requirements for the continued operation from that time on." These authorities are permissible and have been used on shore operations up to this moment. We have done this in several fields in the City. I think you are acquainted with the Fox Hills property at Westwood. There were some preliminary controls put on there until oil was found there, and once it was discovered they had a field, operation controls were put in to control the operation. They were required to obscure the operation from view; they were required to put equipment in back of some of the hills where possible; they were required to take the oil away by trucking. And the same thing can be done here, and that is our intended program. Does that answer your question?

MR. SIEROTY: Well, you understand the situation in which the State Lands Commission finds itself now. This is the first application for offshore drilling which isn't by slant drilling in the Santa Monica area. Once the City of Los Angeles begins to drill in that area, there will be pressures by adjoining cities on the north and possibly on the south to prevent drainage from their resources. We see a possible
series of platforms in Santa Monica Bay; every two miles or so there could be several platforms there. We are at a crossroads now. You tell us the City of Los Angeles is retaining some power here after you have issued the lease.

MR. OURSTON: A condition of the lease will be this continuing authority.

MR. SIEROTY: I think the State Lands Commission -- I am speaking for Lieutenant Governor Anderson -- would feel more secure about this if we knew that this would not set off a series of platforms in Santa Monica Bay. You have talked about the Fox Hills area having oil production completely underground or completely landscaped, which is fine. I think we are looking for the same kind of protection in the ocean. Your residents spent a lot of money in building beautiful homes overlooking the ocean; people come to the ocean for weeks in the summertime. It is one of the real advantages of Southern California.

We don't know how much money is there but it is not inconceivable that for some insignificant amount of money we could be destroying, or at least putting to some disadvantage, our shoreline. That's why we have concern about it.

Is there any point where the State could retain some control with the City of Los Angeles in determination of the esthetic features of the facilities once we know the geologic character of the lease area?

MR. OURSTON: First of all, I'd like to say this:
I think we have a number of rather dedicated employees in the City Planning Department that want to protect that ocean as well as it can be done. We have five zealous commissioners. We have heard from the Recreation Commission, who have said it is their mission to protect it. Our politicians would want to protect it. So you have a body politic which will be very concerned in Los Angeles as to whether we can establish a precedent along our coastline, and we would be interested even though it is outside the City.

MR. CHAMPION: The State would have control in most of the areas.

MR. OURSTON: I agree with you. If you have some basic controls you believe need to be imposed, I am sure the City Planning Department will not be opposed to it. I don't think it is necessary in view of all the people involved, our stated intention of what we intend to do; but I see no objection to the State putting some basic requirements in their approval if you think it is necessary.

MR. SIEROTY: Mr. Branch in his report points out that a platform which is even a mile or two miles offshore is clearly visible. It looks much closer than it is because of some physical aspect of the ocean which brings things closer than they would appear on land. So it is agreed that these platforms will be visible from the shore.

MR. OURSTON: Well, the point I think you are making indicates the further answer I am giving, because Doctor Branch
is aware of this and I made others aware of it. In the ordinance providing submerged lands zone, there is a declaration of fourteen requirements that must be reviewed by the Planning Commission and the Council before they can approve the establishment of an oil drilling district on this land; and included in those fourteen requirements is the knowledge that the ocean seems to foreshorten a view and it makes things far away seem much closer. These fourteen items have to each one be reviewed and be determined as not being applicable before a finding can be made to recommend that there be an oil drilling district established.

We think these fourteen requirements that are necessary, plus what must be required in any of our oil drilling districts, go as far as possible if there is a reasonable possibility to do any oil drilling at all. We have gone as far as we dare to if we have anything open for the operators to go ahead with drilling. As a matter of fact, we were very much of the opinion, as indicated by Mr. Anderson, if the oil drilling was to be a limited operation we shouldn't risk any detriment to our shoreline and beaches. Therefore, we thought we were in a proper position to demand all the requirements in the way of operation, even though this did outlaw some of the less valuable operations entirely. Unless they could discover enough oil to operate in the manner outlined in our ordinance, there shouldn't be drilling.

MR. SIEROTY: I agree that the Mayor's letter to the
Commission relies very heavily on the fact of drainage as a reason for drilling offshore.

MR. OURSTON: That's true.

MR. SIEROTY: Isn't it true you could slant drill from the shoreline in order to prevent a certain amount of drainage and perhaps go out a half mile and possibly a mile, maybe even more depending on the geology of the situation; but slant drilling can be done from the shoreline and can be entirely below the surface or almost below the surface, and would answer some of the arguments of the drainage question?

MR. OURSTON: I am relying, of course, on the others, on what our oil men have told us; but this has been the basis of our position. They tell us they feel the most sure idea about oil under water is the Venice field extends out in the ocean. There may be better pools, but they feel this is more likely to exist. They tell me that field runs about three thousand depth and in slant drilling you can't drill any more than forty-five degrees. So this means that you can only recover from the shore about three thousand feet out from the shoreline. So naturally the slant drilling would have to start back some distance and it is doubtful they could go half mile out. From their estimates, the Venice field does extend out much more than half a mile. This is the reason we established the one mile minimum from the shore. We would have liked to have said "You can't come up even as close as a mile," but it wouldn't seem reasonable.
MR. SIEROTY: I'd like to suggest that we try to develop something with Mr. Ourston here and that the State be included in the decision as to how drilling ought to be proceeded with, if it is going to prove economic.

MR. OURSTON: Just to outline the situation once more, because I think it is worthwhile, we are in this situation: The City, of course, is in control of the land and must make the lease. The ones in control for the City are the Recreation and Parks Department. So the steps that are required are, one, there would have to be a lease approved by the Recreation and Parks Department; because it is contemplated that is over the next three years, the Council must confirm that lease. If the lease is not satisfactory to the Council, then it has to go back and be revised or whatever. There has to be an oil drilling district approved by the Commission and it has to be approved or vetoed by the Council. Once the application is in, there has to be further review as to the actual operations.

The only point I am making here: There are three sets of proceedings involved with various people involved in it, and I again assure you they are very zealous to protect our ocean.

MR. CHAMPION: Let me ask you this: I am speaking for myself. I am quite sympathetic with the City's situation here and I would like to see this proceed as expeditiously as possible; but this question having been received and having
had an affirmative answer from you, I would like to know how
the other representatives of the City feel about this: Might
the device be used -- that is, when we come to the second
stage after the exploration -- that a resolution of the same
kind come back to the Lands Commission? If that could be
written somehow into the City's action, I think that Lieuten-
ant Governor Anderson would feel better protected in this
situation and I don't think it would cause any undue diffi-
culty at that time; but it would give the Commission, which
is reviewing its whole policy and its recommendation to the
Legislature as to controls in this area, an opportunity to
again look at it. I would welcome that opportunity. I
don't think we have it now by statute, but if the City is
willing to do this, I think it would make everybody concerned
with it feel better about it.

MR. OURSTON: I should bring out one point. It is
very easy to sit on our side of the picture and say this is
what we want to do and demand be done, but our premise is
if we have something that has too much procedure for the oil
operator, we can scare them away from bidding on it.

MR. CHAMPION: That's why I was looking for some
relatively simple procedure. If there could be this resolu-
tion before us in the form of a report, we would have a chance
to look at it; that would be the simplest way to do it.

MR. OURSTON: I know there is always a certain risk
has to be taken in any new innovation. I am wondering if the
City, after having here all the controls we have, might have their approval, with the reservations in this Board -- based on what we do and how we work in this first period and what we discover, we then might adopt a policy as to further cities and counties. I think we are now in such a nebulous position as to what we need that perhaps a little experience on the part of one well or series of wells would help you and everybody else to know what to do.

MR. CHAMPION: I think we are very much interested in the result of your exploration.

MR. SHANE: I listened to Mr. Sieroty's comments and your suggestion very closely. I am not qualified to comment on what the statutory position is, but as a practical matter -- and I don't mean for expediency's sake, but as a practical matter -- I am confident that the Parks Department and Recreation Commission would be willing to consult with your Commission as these administrative decisions are being made. Whether or not the legal responsibility for the decision can be shared, I don't know; but I do know that there probably would be no objection whatever with our board. I would be prepared to recommend a resolution next Thursday. I know we would be willing to consult with and keep you advised when these steps are made, as various approvals are made. I can't visualize any objection to that, because we do have a common purpose here.

MR. CHAMPION: Thank you, Mr. Shane. Mr. Cranston,
if you would withdraw your motion, I'd like to offer a motion, and I'd like to know if it would be acceptable to handle the matter before us in this way. The motion would be this -- that the Commission would herewith approve the resolution as offered, contingent upon a discussion as to a technique by which the State would again be consulted between Mr. Hortig and the staff of the City and if there is one, such a device is worked out, our approval would stand. Can we, in effect, delegate this last responsibility to Mr. Hortig?

MR. SHAVELSON: Mr. Champion, I think that the main tool that we have for reserving this authority if we can -- I am not sure whether we can -- lies in our power to approve the form of the original lease, which is part of the resolution provided for, and to approve any amendments to that lease; and since this resolution does include as part of it a specific lease form which we may want to use as our instrumentality for implementing this **.

MR. CHAMPION: Should we write into the resolution a reservation of the kind we have discussed here, if the City were willing?

MR. SHAVELSON: A reservation of State authority -- is that what you mean?

MR. CHAMPION: Yes, on this particular subject.

MR. SHAVELSON: I am not sure. It is something our office has not studied yet and I have my doubts; but I think it could be done by inserting certain provisions within the
lease, which could not be changed without the approval of the State Lands Commission. It might not be well to approve the resolution at this time until it includes all of the terms that you think are necessary. Rather than make it contingent, I would think it would be better to postpone final approval.

MR. CHAMPION: What is the position of the City with respect to this? Does this unduly discommode the City? I'd like to ask Mr. Cranston if this general approach is agreeable to him, so you will have the assurance the Commission is willing to proceed.

MR. CRANSTON: Yes, the general approach embodied in Mr. Champion's motion is acceptable.

MR. CHAMPION: Would this unduly delay you or cause irreparable damage?

MR. OURSTON: It may be some help to the Commission if I may point out one of the conditions of the lease. Section A -- "Lessee shall comply with all laws of the State of California and the City applicable..." I believe that this does give the State a measure of control, or the City a measure of control by statute or ordinance; and if we could have approval based upon the provisions of the lease which are part of the application and resolution, I think that provision would allow by statute and ordinance sufficient control of not only what happened during drilling but after production has been obtained.

MR. CHAMPION: In other words, you think there is
going to be time during this process so if the Legislature
should determine in the next session they want to pass a new
law, the entering of this lease would not prevent future re-
strictions by the Legislature?

MR. SHAPELSON: I'd like to address two remarks.
First of all, this provision is limited to action by the Legis-
ature and not by the State Lands Commission; and, secondly, I
think perhaps -- although I believe that this language is prob-
ably sufficient for this purpose -- it could be made a little
more specific to cover later enactments occurring after the
date of the lease, so that we are absolutely certain of what
we are accomplishing.

MR. OURSTON: Of course it doesn't say "present law" --
it says "all laws."

MR. CHAMPION: I think we agree with you on this.
I think Mr. Shavelson is just saying he wants to be very sure
of things and with good reason; and I think there might be
ways in which you could be absolutely definite on what "all
laws" means.

ASSEMBLYMAN CHAPEL: Really, Mr. Champion, the
acoustics are very bad. It is very hard to hear. What we
would like to know -- I think everybody here would like to
know -- As I understand it, the Commission is now considering
issuing what we might call a provisional or reversionary permit,
I don't know how to put it, and you can put the words in my
mouth if you want to. It is hard to hear everything.
MR. CHAMPION: I think what you say is correct.

ASSEMBLYMAN CHAPEL: Are you about to vote? You are at least considering voting on issuing — and I am not saying whether you are going to do it or not — you are considering issuing a provisional reversionary permit to explore?

MR. CHAMPION: It goes beyond that. In other words, it isn't just a permit to explore.

ASSEMBLYMAN CHAPEL: I know. It's saying we are damned if we do, damned if we don't. They say in case of doubt, don't. I am not saying that. I'd like to know what the issue is. I think all of us would like to know what you are voting on.

MR. CHAMPION: Before we vote there will be a very definite statement.

ASSEMBLYMAN CHAPEL: Will somebody with a loud, resonant voice read it? We all want to know who will suffer from it, who will benefit.

MR. CHAMPION: My personal position, barring objections from other members of the Commission or representatives of the City of Los Angeles, is to record ourselves as being in favor of this approach of the City of Los Angeles and asking them to work out the terms of the kind that have been under discussion here for final presentation to us at the next meeting, at which we will take action.

ASSEMBLYMAN CHAPEL: You have no doubt about your
authority to do this?

MR. CHAMPION: No.

ASSEMBLYMAN CHAPEL: I have confidence in you as a Commission. I asked the Attorney General. They said, "They are a quasi judicial body." You can darn near do what you want. No one can mandamus you; they can't pull a writ on you. It won't stand in court. I do think you have a lot of power.

MR. CHAMPION: Nobody has challenged this Commission on its authority.

MR. CRANSTON: I'd like the representatives of Los Angeles to clarify this matter of timing now. With the understanding that there will be approval based upon the understandings that were reached today, is this satisfactory to you to proceed in this fashion on this schedule -- which means final approval at the next meeting?

MR. SPAULDING: Yes, I am willing to accept that if there is positive assurance that there will be final approval at the next scheduled meeting. This will mean a further delay to us, but since we have waited thirty-five years...

MR. CRANSTON: From what we have heard, you can presume that this will be final approval at the next meeting.

MR. SPAULDING: Supposing Mr. Shavelson does not feel that these conditions will mean further possible postponement.
MR. CHAMPION: I can speak for myself. I agree with Assemblyman Chapel that we have a great deal of authority, but we don't expect to write new law for this. I'd like to ask Mr. Shavelson if there is any obstacle to our doing this -- if what we are doing today is perfectly feasible.

MR. SHAVELSON: In what respect is that?

MR. CHAMPION: Writing an agreement which would give the State a voice.

MR. SHAVELSON: No. The form of the lease is part of the resolution and I think when our office approved this lease, merely stating the State Lands Commission has the power to approve it, there is no legal barrier; but if I am correct, there was no specific study of the exact protections from an esthetic standpoint, I think either Mr. Goldin or someone else in our office may be able to recommend certain additional features.

MR. CHAMPION: There is language in the lease which is approved by the City and agreed to by the lessee. This in itself creates a situation. It doesn't require anything beyond that, does it?

MR. SHAVELSON: Well, it has to be approved by the State, too.

MR. CHAMPION: I am speaking for the State -- language which we would want.

MR. SHAVELSON: That is true. That is correct.

MR. CRANSTON: Just so the City will not be left in
doubt, I want to say I concur in the views Hale has expressed.

It is evident that the City is paying considerable attention to the esthetic values. The State is considerably interested in providing equal conditions in its leases. I will say that I don't think that the State has done everything we really should do in the matter of esthetics.

MR. CHAMPION: As a matter of fact, the City seems to be pioneering.

MR. CRANSTON: As I say, I think we will continue to search for things we can do, and I as a member of the Commission intend to do that.

MR. SIEROTY: May I express a viewpoint? What Mr. Cranston has said I think is correct in a sense -- that the City of Los Angeles has come up, I think, with some very good ideas, which perhaps the State Lands Commission can encourage other cities to adopt. Some proposals of Doctor Branch's report should be circulated to all communities along the coast which have any interest in oil development. We are at a place where we are saying we expect the City of Los Angeles to do more than the State is doing, but I think it is not unreasonable at this time to say that is because we are talking about an unusual area. We are talking about Santa Monica Bay, where the greatest concentration of population is in the State, and we have to take a little greater pains here and it has to be done now -- because if we make a mistake, I am afraid we will not be able to reverse it.
Mr. Champion, I notice that Robert Alexander is here, who has been appointed by you to do some work in this field. I am glad to see that he is here to help preserve the beauty of our State, so we don't destroy what so many people have come here for in the next years of our expected growth. Our feeling is -- the Lieutenant Governor's feeling is that we must take pains now to preserve the beauty of this Bay.

We are opposed to the installation of permanent platforms which extrude above the ocean. If we can drill and produce oil from sub-surface production facilities, fine. I think that's the way we ought to look at this. I know that was the original approach of the City of Los Angeles. I think this proposed control which will remain in the State will help the City and the State to develop a policy that will help us preserve the beauty of this Bay, and perhaps we can expand it to other areas.

MR. SPAULDING: May I ask one further question? Will this conclude the esthetic characteristics of this project? In other words, will your discussion at the next meeting involve a legal discussion as to rights and powers, for each side to reach an amicable agreement?

MR. CHAMPION: So far as I am concerned, I think it is just a matter of implementing the kind of agreement we reached today.

MR. SIEROTY: There is one more question, not related to esthetics, which I would like to bring up before
we close this. It has to do with the oil pricing. The City of Los Angeles has a particular oil pricing mechanism. We are now considering, will consider later, a pricing mechanism for East Wilmington Field. It is my hope or suggestion that the City's lease would contain provisions that will be the same as the State will adopt, so we don't have different pricing mechanisms in different fields.

MR. SPAULDING: In answer, Mr. Sieroty, we are happy to cooperate with the State in this matter and future leases will contain the same conditions; and the lease which we have at this time was patterned on your form, which is on the average posted price.

MR. SIEROTY: I think you are referring to the L.B.O.D. contract provisions.

MR. SPAULING: I am not acquainted with that L.B.O.D. contract.

MR. CRANSTON: Anyway, he has answered the question that they would conform with the approval.

MR. SIEROTY: In other words, our approval here wouldn't tie you to that provision of the lease?

MR. SHAVELSON: It would have to be a new approval, because in the approval of the resolution you approve the form of the lease.

MR. CHAMPION: Well, if we approve a pricing policy here today, which is our hope or intention, that would be before the City, as to whether or not they want to put that into
this lease; and our final action could be when that determination was before us.

MR. SHAVELSON: On the resolution.

MR. CHAMPION: I think it might be helpful if after we act today you provide information to the City. It was indicated by Mr. Sieroty at least that he would like to see this incorporated in the lease when it comes up for final approval.

MR. SPAULDING: If there is any modification of the present lease before you, this would require modification by the Recreation Department. So I would suggest that this new provision, if there be one, be included in future leases and not necessarily in this one, in the interest of saving additional time.

MR. CHAMPION: This is going to have to be back before you anyway, if we work out this other language because it will be language in the lease form.

MR. SPAULDING: I am instructed that that is all right.

MR. CHAMPION: Thank you very much.

DR. LEVINE: May I have forty-five seconds?

MR. CHAMPION: Is it on this matter?

DR. LEVINE: I am Doctor H. H. Levine. I serve on the Oil Well Committee of the Venice Oil Field, and it is not my intention to bring up any of the problems there, except evidently I am the only person here who is speaking for the
residents of that area. We are engaged in a tremendous struggle to correct the wrongs and the inadequacies of previous legislation relative to the Venice Oil Field. At the present time this field is regarded by most people as the most heinous oil operation in the oil industry.

MR. CHAMPION: That's really saying something.

DR. LEVINE: That's very correct, but I think if you would read the records of the Planning Commission, which is now studying this, you would agree with that on the basis of the hardships of the people there. At any rate, the discussion on the esthetic properties here is extremely important to all the people of that area and this has come out in previous hearings, on discussion of the submerged lands in West Los Angeles; and we would greatly appreciate all this effort in maintaining the beach as it is, especially around Venice and the Marina del Rey, where all the boating is.

In closing, I believe one of the gentlemen mentioned something about onshore drilling in a slantwise fashion into the Venice Oil Field, and I think this would be fought vigorously by all residents in the area because they are attempting to clear up all the oil wells and get rid of them.

MR. CHAMPION: Thank you.

MR. HORTIG: Mr. Chairman, to complete the record I believe it should be shown that a letter has been received from Mr. William A. DeGroot of Playa del Rey, stating that
there should be no oil drilling development in connection with the area presently under consideration for development by the City of Los Angeles.

MR. CHAMPION: With those understandings, I don't really think any formal action is required by the Commission at this time. Is there any more to be said before we hopefully pass on to the next subject? (No response) Thank you very much for your cooperation. I think the City of Los Angeles is to be complimented on its approach to this problem.

Next item is permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statute:

(a) State of California, Division of Highways -- Right-of-way slope easement, 3.88 acres sovereign land of Russian River, Sonoma County.

(b) United States of America -- Ten-year renewal of Permit P.R.C. 408.9, covering site of a pontoon pier and mooring buoy operated by the Navy in San Diego Bay, San Diego County, effective July 26, 1964 through July 25, 1974.

MR. CRANSTON: I move approval.

MR. CHAMPION: Second, and without objection stand approved.

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

(a) Federal Aviation Agency -- Fifteen-year right-
of-way easement, 3.72 acres school lands, San Bernardino County, for use as an access road to the Eagle Pass Beacon Facility. Total rental $100.

(b) Ed Filipelli -- Five-year grazing lease, 640 acres school lands, Lassen County, annual rental $32.

(c) Bertha T. Needham -- Acceptance of quitclaim and termination of Oil and Gas Lease P.R.C. 430.1, Rincon Oil Field, Ventura County. (No longer economical to operate).

(d) Edward C. and Donald E. Orkfritz -- Termination of lease P.R.C. 2177.1, Yolo County, effective June 17, 1964.

(e) Producing Properties, Inc., and The Howard Corporation -- Assignment to Standard Oil Company of California, Western Operations, Inc., of an undivided one-half interest in Gas Leases P.R.C. 714.1 and P.R.C. 729.1, and Compensatory Agreement T.I.F. No. 4, P.R.C. 3131.1, Sacramento and San Joaquin counties.

(f) Signal Oil and Gas Company -- Issuance of new Oil and Gas Leases pursuant to Section 6827 of the Public Resources Code for terms of five years and for so long thereafter as oil or gas is produced in paying quantities, or lessee shall be conducting the producing, drilling, deepening, repairing, re-drilling, or other necessary lease or well maintenance operations, in exchange for: (1) Lease P.R.C. 208.1, 1,920 acres tide and submerged land, Elwood Field, Santa Barbara County; (2) Lease P.R.C. 425.1, 835 acres tide and submerged land, Huntington Beach Field, Orange County; (3) Lease P.R.C. 163.1,
640 acres tide and submerged land, Huntington Beach Field, Orange County; (4) Lease P.R.C. 426.1, 640 acres tide and submerged land, Huntington Beach Field, Orange County.

(g) Standard Oil Company of California -- Deferment of drilling requirements, Oil and Gas Lease P.R.C. 2199.1, Santa Barbara County, through April 4, 1965. To evaluate well recently drilled. Operations currently suspended awaiting a suitable drilling vessel in order to install production equipment and complete well.

(h) Phillips Petroleum Company -- Geophysical exploration permit, for period August 18 1964 through February 17, 1965, tide and submerged lands Santa Barbara, Ventura, Los Angeles, Orange, and San Diego counties.

(i) Texaco Inc. -- Geophysical exploration permit for period September 1, 1964 through February 28, 1965, tide and submerged lands San Luis Obispo, Santa Barbara, Ventura, Los Angeles, Orange, and San Diego counties.

MR. CRANSTON: I move approval.

MR. CHAMPION: Second. Is there any question? (No response) Stand approved.

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

(a) Channel-2 Properties, Additional Fills, Berths 83-87, Back Area (2nd phase) -- Estimated expenditures from August 18, 1964 to termination of $1,272,000, with $864,960 (68%) estimated as subsidence costs.
(2) Channel-2 Properties, Raise Oil Facilities, Berths 83-87, Back Area (2nd Phase) -- Estimated expenditures from August 18, 1964 to termination of $820,000, with $172,200 (21%) estimated as subsidence costs.

MR. CRANSTON: I move approval of items (a) and (b).

MR. CHAMPION: Second. Is there any question? (No response) Stand approved.

That brings us to the question of the presentation of the crude oil pricing provisions for the Field Operator Contract, Long Beach Unit, Wilmington Oil Field. We have this policy before us so that the final conclusion can be in the Field Operating Unit contracts to come before us at the next meeting of the Commission.

MR. CRANSTON: Mr. Champion, in view of the fact that the materials were received so late that we were unable to give them adequate study prior to this meeting, and Governor Anderson particularly made this point and is now absent, I wonder if we can take some time now, take action approving subject to final review at the next meeting.

MR. CHAMPION: I think it would always be subject to final review when these things come before us.

MR. CRANSTON: My point is we might save time now in the absence of full study and the absence of Glenn.

MR. CHAMPION: I think it would be well to have a public statement as to what they are and on what we propose to take action, because that would be the final action next month;
and while we have had endless hearings and discussions on this matter, I think it is well that it be known publicly what the matter is. Would you please outline the general provisions, Mr. Hortig?

MR. HORTIG: Yes, Mr. Chairman.

MR. CHAMPION: I think going only to the critical points — that is our concern.

MR. CRANSTON: Yes, that's the only point.

MR. HORTIG: The recommendation for consideration for inclusion in the contractor's agreement form to be provided for Long Beach Unit Wilmington Oil Field development, as proposed in the agenda item before the Commissions, would recommend that the basic oil price which would be utilized would be determined to be the highest of a series of measures, broad measures, specifically as follows: The first test for price would be the arithmetical average of the prices posted in the Wilmington Field by continuing purchasers, continuing purchasers being defined as those...

MR. CHAMPION: You are now outlining alternatives, and the object of these alternatives would be the highest in each case.

MR. HORTIG: The second would be the arithmetical average of prices actually paid in the Wilmington Field by continuing purchasers, who again are defined as those who purchase an average of a thousand barrels a day for the preceding twelve months.
MR. CHAMPION: As I now understand it, enough pur-
chasers of such quantities have indicated their willingness,
whether or not they are parties to the contract, to provide
that information so we do have information for the actual
prices paid.

MR. HORTIG: I think the base is also broader than
purchasers not parties to the contract. Additionally, it
must be recognized now for the first time that inasmuch as
under Chapter 138, which will be in effect on Saturday of
this week, the offer of the field area in undivided interests
and a separate offer of the park parcel will result in a
larger number of prospective parties to the contract, who by
the contract will make these data available.

MR. CHAMPION: We have always intended to put it in
the lease that they make it available. In addition, we now
have indication from parties that even though they are not
parties to the contract, buyers in the field will make this
information available.

MR. HORTIG: This is correct; and, supplemented by
the larger number of parties to the contract, will give a
broader comparison.

The third is the arithmetical average of prices posted
by continuing purchasers in the Huntington Beach, Signal Hill
and Inglewood fields or such of them in which there is such
posting; and the fourth measure would be the arithmetical aver-
age paid by continuing purchasers in these same named other
fields other than Wilmington; and the measure for accounting for the oil price under the contract to be the highest under any of these determinations.

It is also recommended that in the event that none of the four factors set forth in the foregoing can be determined by reason of there not being continuing purchasers in all of the fields named and no postings in all of the fields named, including the Wilmington Field, then in that event it would be determined that the criterion for pricing would be the fair market value at the point of delivery -- determined by all available information, such as prices paid in other oil fields and prices paid by the contractors and any other organizations who would make this data available to the Commission, as has already been offered to the Commission.

MR. CHAMPION: That saving clause really leaves it up to the Commission to determine what the price should be.

MR. HORTIG: To determine the fair market value; that is correct -- which is the price criterion which is specified for State leases in the Public Resources Code under the jurisdiction of the Commission.

MR. CHAMPION: This is a fairly complicated matter, I recognize, but I think most of you have been through most of the argument, so I think any questions about it can probably go to a few key points. First, is there anybody from the audience who has any questions about this or how it would operate? Yes, Mr. Scott.
MR. SCOTT: I am L. E. Scott from Pauley Petroleum. First, Mr. Chairman, I have not seen this language except just to hear it read to me over the phone, because it was not available. We object to the pricing clause as it is now recommended, but out of fairness to the staff I would like to say it is far better than what we started with, because you have now recognized for the first time in this Commission the actual paid price for crude as one of the criteria.

MR. CHAMPION: We are now for the first time in agreement that we shall have access to that price.

MR. SCOTT: Whatever it has been, I think in two years we have accomplished something. Specifically, we understand it takes (1) the highest price -- the highest average of the posted prices, or (2) it is the average of the actual price paid, whichever is highest -- that is, in Wilmington or the other three fields. This is important because we are against the use of posted prices.

Here in this one you say you have the average of the posted prices. If there are some posted, if it is the highest. Now, the next thing you say if it is the average of the highest prices paid. What you are saying, you are now giving credit and agreeing that a posted price might not be paid and a so-called fictitious price is more important than the price actually paid for the oil in the grade produced.

MR. CHAMPION: We just say whichever one of those is highest. In other words, if the actual price figure is
highest, that's the price to be paid.

MR. SCOTT: We have always recommended that the State get the highest available price for its crude. Now, if you don't want the highest price paid, then we ask that you get the average of the highest prices paid. You are now saying -- you are determining that the posted price is not the actual price paid.

MR. CHAMPION: If the average of the posted prices is higher, we will take that price; if the average of the prices paid is higher, we will take that price. Heads we win, tails you lose.

MR. SCOTT: What you are actually doing is vesting control in the price postings. There are only four postings. There might be four purchasers or continuing purchasers.

MR. CHAMPION: If that's the case, that is the price we take, Mr. Scott.

MR. SCOTT: Then all we ask is that you go to the highest price actually paid. This is the true market value of the crude. We are not asking average. We recommend that you get the highest price paid in the field or any of the three fields surrounding it. You have now stated for the first time that you can determine the true market value of this crude. Now, a posted price that is not paid is nothing more than somebody's ability to manipulate the price of the crude and not pay out a nickel.

MR. HORTIG: I think the answer, if I may interpose,
Mr. Scott, with reference to posted prices, is that the reference is to the arithmetic average of the posted price in the field by continuing purchasers; a continuing purchaser buying a thousand barrels a day for twelve months is going have to pay this price in accordance with the posting. If there is no posted price which is admissible under those circumstances....

MR. SCOTT: You mean by one sale a year of 365,000 barrels, or are you going to have it one thousand barrels a day for every day?

MR. HORTIG: The proposed definition of a continuing purchaser is one who, during a specified twelve-month period, has averaged at least one thousand barrels of oil per day in the oil field in question.

MR. SCOTT: What that says -- If January 1, 1965 or '66 you buy 365,000 barrels at a price, say, of two fifty a barrel....

MR. CHAMPION: You have averaged that.

MR. SCOTT: Then you proceed to raise the price. You have what you want and you proceed to raise the price that you are not going to buy at; you have no intention of paying that price but you raise it up to two seventy-five -- post it and not buy.

MR. CHAMPION: For that quantity?

MR. SCOTT: The quantity doesn't matter. You have bought your quantity. Then you raise your posting. You are eliminating competition on a fictitious price posting you have
no intention to pay. You get ready to buy again, so you post
and buy what you want and kick it up. You can manipulate down
also and there is no answer to it.

MR. CRANSTON: Is there any way that that 1(a) could
be amended to say "arithmetical average of the prices posted
and paid"?

MR. SCOTT: That would be very fine.

MR. HORTIG: Actually, that is in there and that
language might clarify it. Inasmuch as it would be the price
posted by continuing purchasers, they have to purchase and
they have to pay; but it can be clarified in the manner you
suggested.

MR. SCOTT: I will be very happy if you will make
it posted and paid by continuing purchasers.

MR. CRANSTON: I so move it be amended that way.

MR. CHAMPION: I haven't done any thinking about it.
I am not sure I have absorbed the whole thing, and I want to
ask Mr. Shavelson before I do: Mr. Shavelson, does this
language in any way change the method or intent in which it
was hoped we would operate in the original contract?

MR. SHAVELSON: I think that Mr. Scott's observation
is well taken. I think a person could buy one large quantity
of oil and qualify as a continuing purchaser.

MR. CHAMPION: And this was not our intention.

MR. SHAVELSON: If it is our intention that there
be actual purchases at the posted price by a continuing
purchaser, I think it might be a good change.

MR. CRANSTON: That certainly should be our intention.

MR. CHAMPION: Then I think we are all agreed.

MR. SHAVELSON: I think this is a good suggestion.

MR. SCOTT: Mr. Champion, our position has always been that the State get the highest price for its crude.

MR. CHAMPION: Let me formalize Mr. Cranston's motion by seconding it.

MR. SIEROTY: I'll have to discuss this. I didn't hear the entire agreement. It seems to me you may have answered it already -- that under (b) we are taking advantage of the prices paid and under (a) we are trying to determine just what the posted prices are, regardless of whether they are paid or not. Let us assume that the prices posted, whether paid or not, are higher by some chance than the actual average of what is paid. As a matter of fact, Jim Wanvig at one time stated it was his understanding that if we looked into it we might find that the actual prices paid may be lower than the actual posted price. Therefore, it might be to our advantage to have the posted price, whether paid for or not. Maybe you can answer that.

MR. SCOTT: Number one, if you are talking about prices posted and not paid, can you honor that? Then you are permitting one company, or whoever posts the highest price, to manipulate the price and not put out one nickel or take any
risk. You are putting your competitors under an unfair and bad disadvantage. You cannot buy oil and have to pay a higher price that these people, though they are posting, are not actually paying for it. Let's use the highest posted price that is actually paid. Then this will give us a true market value. Let's get the State the highest dollar for its crude. But to accept it the way it is written the first time, the State is condoning and setting up the method in which price manipulation can go on.

MR. CHAMPION: Wasn't that just amended, however?

MR. SCOTT: Well, Mr. Sieroty asked me this question. The way you amended it, Mr. Champion, answered many of my questions.

The next thing -- Frank, when you sell off this oil under sealed bid and where we as an independent refinery have to buy that oil, it will always be at a premium price, equal to a premium price. Is that going to be considered as a price actually paid and put into the averages?

MR. HORTIG: Under the present recommendations, where sold in sufficient quantities to qualify anyone as a continuing purchaser -- in other words, at the rate of a thousand barrels a day -- then it would be included in the evaluation of the price.

MR. SCOTT: If I have to pay five cents a barrel more for the crude on sell-off, then that would go into the price actually paid down there and my competitors would have
to pay that?

MR. CHAMPION: If you buy a thousand barrels a day.

MR. SCOTT: Yes, I am assuming we would be continuing purchasers.

The fourth thing -- We come back to the present State lease form that you are using up and down the coast. We again urge this Commission that whatever provision you adopt for this field, you also adopt and re-do your lease form and put your same pricing provision in there, because we cannot compete with these other leases where we have to pay the highest price available in the nearest field and have large quantities of oil going to the market at a cheaper price.

MR. CHAMPION: This really is another question, which we should deal with as another question. Its application to other leases we have to consider as a separate question because there are a good many additional matters involved.

MR. SCOTT: We urge that again and urged it before. If you use this price here, let's change it and put it in all the leases, because we can't as an independent purchaser compete. I understand a lot of them will argue the language is the same. It isn't the same because under the lease form the highest price must be paid in the field.

MR. CHAMPION: We certainly would want to hear everyone but I will ask the other members of the Commission. I think it would certainly be proper to place such a matter on the agenda to consider future leases.
MR. CRANSTON: Yes.

MR. CHAMPION: So that matter will be discussed as a separate matter after we have determined the policy here.

MR. SCOTT: To sum up what I have urged this Commission today: We urge, number one, that you adopt the highest price actually paid; two, if you do not go to highest price actually paid, we urge you adopt the average of the highest prices actually paid. You seem to want to go to the postings as another device and the way you have revised it... 

MR. CHAMPION: ... it could never be used for manipulation downwards without change, but could be used for manipulation upwards without the change.

MR. HORTIG: I think it should be pointed out since it was posted price, it was certainly the intent to convey posted and paid for a thousand barrels. This language "and paid" is really only by way of clarification; and there is no method for qualifying into consideration any posted price for which the price is not actually paid.

MR. CHAMPION: Well, the whole sense of our motion was to make absolutely sure that was fastened down.

MR. SCOTT: In L.B.O.E. did you have posted on a thirty-day basis rather than an annual basis?

MR. HORTIG: At the moment I don't recall, Mr., Shavelson?

MR. SHAVELSON: Continuing purchaser is defined in the contract, to my recollection, as one who had purchased a
thousand barrels a day for the preceding twelve-month period.

MR. SCOTT: But didn't someone have to do it every thirty days? This would be another change where you may use this posted price, where they purchase each month.

MR. CHAMPION: I think we are in agreement on what we want to accomplish here and there isn't any real difference as to whatever can be worked out to make sure this cannot be manipulated upward by posting -- which, in fact, is a fictitious posting.

MR. SIEROTY: I don't know why we should object to it being manipulated upward.

MR. CHAMPION: May I say why? I'd hate to leave that rhetorical question in the air. This would subject anyone bidding on the lease to the threat of that manipulation, to the great detriment of the lease.

MR. SIEROTY: I think there may still be questions that we can discuss at the next meeting, as to whether it is the average price or highest price; but I think the importance of this recommendation, and I am very pleased to see it, is that we are incorporating a test of actual market activity. We are getting information as a result of the lease, as a condition of the lease. The oil companies who are successful bidders will furnish us information and also some who may not even bid or may be unsuccessful bidders will furnish us information as to not only their purchases in Wilmington Field but all other fields. It is the first time we are going to have
information on which we can determine what the going value of oil is. I think that is a fine step forward and I think we should try to incorporate this as we go forward into other leases.

MR. CHAMPION: Is there any further comment on this matter? (No response) What is the pleasure of the Commission on this matter?

MR. CRANSTON: I move the recommendation of the staff that they be instructed to prepare bid provisions for this purpose for final action at our next meeting, and this does permit further review by members if they wish it.

MR. CHAMPION: That is correct, with the understanding and in order to meet our schedule we must take final action at the September meeting of the Lands Commission on both the operating agreement and the unit agreement as draft subsequent to the passage of the new legislation.

MR. SCOTT: When do you anticipate that this bid will be opened? What is your schedule, Mr. Champion? When would the industry be expected to have to bid on East Wilmington?

MR. CHAMPION: Mr. Hortig, what is that schedule?

MR. SCOTT: And how long will we be permitted after the call for bids?

MR. CHAMPION: Well, Long Beach will actually lay them. Perhaps I should call on them, presuming the final decision of the Commission on a form and presuming Long Beach
agreement -- and in the absence of comment from Long Beach
today I assume the pricing schedule is agreeable.

MR. LINGLE: Opening bids (in conjunction with dis-
cussion with Mr. Hortig) early in December.

MR. CHAMPION: What about the bidding time?
MR. LINGLE: Sixty days.

MR. CHAMPION: In other words, it would be out to
bid...

MR. LINGLE: As soon after you approve it and our
City Council approves it as possible -- which, if it is
September 24th, then we approximate it as sixty days, which
would take care of October and November -- opening of bids in
November, and execution as soon thereafter as possible.

MR. CHAMPION: Mr. Lingle, do you now see any ob-
stacles to that, presuming Lands Commission approval on
September 24th?

MR. LINGLE: No, assuming Lands Commission approval
on September 24th, we still have these documents to prepare.
Hopefully, optimistically and everything else, I think the
time table is good one to shoot at, but if I were your counsel
I wouldn't warrant we would make it because where we are work-
ing between ourselves, everything is hunky-dory. We haven't
hit the hard places in life.

MR. CHAMPION: You mean there are not now discus-
sions going back and forth?

MR. LINGLE: Between the City and the State there
are discussions. For the first time we are asking for comments from industry; and if we find we have painted ourselves into a corner, we may have to take care of it.

MR. CHAMPION: I know Long Beach is cooperative on this. If it requires that we have special meetings, it may be that we will have one or more special meetings in order to do it. This is the schedule everybody has agreed is desirable and, in fact, we promised to the Legislature. We will try to adhere to it as close as possible.

MR. SIFROTY: Mr. Chairman, I wonder if we might hear from Mrs. Crowley? She came from Long Beach.

MR. CHAMPION: This is the matter that was not on the agenda? The matter that was before us at the last meeting?

MR. HORTIG: It was not on the agenda at the last meeting, either.

MR. CHAMPION: What is the status of the matter before us?

MR. HORTIG: The status of the matter -- if it is still the Navy landing problem, which I presume it is, Mrs. Crowley -- the matter had been reviewed by staff counsel and by the City Attorney of Long Beach, with the conclusion that no applications and no approvals were required from the Lands Commission for the City of Long Beach's consideration for modification of an existing facility identified as the Navy landing. In view of the citizen presentations which were made at the last meeting, particularly as brought in by Mrs.
Crowley, we referred the question to the Office of the Attorney General for confirmation or correction that the Lands Commission is not, in fact, properly involved. We have not had the report back from the Attorney General's Office, but this will be the third legal report on this subject matter when it is received.

MR. CHAMPION: What is the status of the matter as far as the Attorney General's Office is concerned?

MR. SHAVELSON: Deputy General Graves in our office is working on it. To my knowledge no draft has been submitted yet. I would hope it would be ready in the next couple weeks.

MR. CHAMPION: Mrs. Crowley, with the knowledge that we have a highly uncertain, if any, legal position in this matter, we will be glad to hear -- I hope very briefly -- what you have to say and will file it for future reference, because we really have nothing before us.

MR. SIEROTY: Well, Mr. Champion, before Mrs. Crowley begins, I just ran across this Attorney General's statement. It happens to be in a report we will probably adopt later on. It says that the State Lands Commission is vested with jurisdiction and authority remains in the State as to granted tidelands, this jurisdiction and authority including the power to investigate violation of trust conditions and in cooperation with the Attorney General to institute proceedings to enforce compliance if there is misappropriation of revenue in the area. If that is the area in which Mrs. Crowley's interests
are, there is no question of our authority.

MR. CHAMPION: Of course there is no question of our ability to institute proceedings.

MR. HORTIG: Of course, this is why the matter was referred to the Attorney General.

MR. CHAMPION: Mrs. Crowley?

MRS. CROWLEY: Honorable Mr. Champion and members of the Committee, I wish to speak again about the proposed conversion to private interests of the Long Beach Navy landing. I am speaking for the Citizens Committee for the Preservation of Public Beaches and Parks, and my letter is signed by Mrs. Charlene D. Roberts, Chairman.

MR. CHAMPION: How long a statement is this?

MRS. CROWLEY: It's a very brief one. Please, however, don't close your mind.

MR. CHAMPION: I assure you my mind is not closed,

MRS. CROWLEY: The City of Long Beach has demonstrated abuse of discretion in the management of its tidelands trust in asking for bids for private operation of the Navy landing as a small boat marina. The Navy landing was built on the Long Beach tidelands with tidelands trust oil money at a cost of five million and a half dollars. The State Lands Commission, it will be recalled, authorized the expenditure of this five and one-half million dollars from the tidelands trust oil account; voters of Long Beach overwhelmingly approved the five and one-half million expenditure of tidelands oil
money for construction of the Navy landing, which was dedicated a scant three years ago.

Both the Lands Commission and the voters were told by the City of Long Beach, and I quote "General requirements for a satisfactory Navy landing were established by the Commandant of the 11th Naval District after exhaustive research and numerous conferences with the representatives of the forces afloat." Clearly, the City of Long Beach justified its request to build the tidelands trust facility on the tidelands with five and one-half million dollars of our tidelands trust revenue on the ground that it was a public matter, which it was.

Now, we see the City in a different and quite possibly true light, acknowledging that it overestimated the need for the landing facility and stubbornly insisting on turning over not only the tidelands area itself, but a five and one-half million capital improvement, paid for by tidelands trust money to private operators for private use and private gain. This, indeed, is a flagrant attempt to use the tidelands trust for something other than the purposes embodied in the granting statute.

The danger of precedent is imminent. If the City of Long Beach succeeds in this gambit, what is there from preventing the City from leasing to private interests the Long Beach Marina, constructed at a cost of eighteen million dollars of tidelands trust money, which belonged to all of
the people of the State of California; or what will prevent
the City of Long Beach from leasing to private operators all
the marinas yet to be built with tidelands trust money, like
the splendid marina which is incorporated in the plans for
Pier J? It is our contention that a precedent established in
Long Beach can become a statewide precedent and that this same
abuse could deny public rights of all of the tidelands in the
entire State.

It is our belief that the State Lands Commission has
the necessary authority to halt this abuse of the tidelands
trust by the City of Long Beach. We are aware of the Navy's
declaration that it needs today only a small portion of the
landing for official use. In view of this, we would gladly see
the Navy harbor put to use as a small craft marina, but only
if it is operated by the City of Long Beach as trustee, for
the benefit of all of the people of the State of California
whose money was used to construct this facility.

The City of Long Beach in its stubborn insistence
that it has the unilateral right to lease the Navy landing to
private operators not only is violating the intent and spirit
of the granting statute, but is additionally guilty of abuse
of discretion in managing its tidelands trust.

Accordingly, we demand that this Honorable Commission
act without delay in halting this Long Beach gift of the use
of public property, something which is prohibited even to the
Legislature by the Constitution of the State of California.
Respectfully submitted, Citizens Committee for the Preservation of Public Beaches and Parks, and signed by Charlene D. Roberts, Chairman of the Subcommittee for the Long Beach Navy Landing.

MR. CHAMPION: Thank you, Mrs. Crowley. I would assume from what Mr. Shavelson stated that this item will be on our next agenda and we will have a report at that time; and I think at that time we will have enough information from our counsel to determine our course of action. I hope so.

MRS. CROWLEY: We had a number of other things we wanted to talk about here, but in view of your kindness to us and permitting us a non-agenda item, to be on -- we will hold our fire, perhaps until the next time.

MR. CHAMPION: I would very much appreciate if that could be done because we will have the relevant material before us. We will be glad to hear from you at that time if you have other things to say.

MRS. CROWLEY: Mr. Champion, may I please say this that I was most happy to read this article about the oil agency expanding for the Long Beach job. I suppose it is a press report from your office, perhaps, in which the State Lands Division and Mr. Hortig and his staff are going to have some money and people to do things with. I think the history of our entire tidelands area in Long Beach might have been different had this agency been expanded as it needed to have been long since. Let me congratulate you on this, and may I...
request at this time just one little tiny bit, one percent of your budget, be spent for the study of land usage. We would like to have some agency in this State where we could go, where we feel there is an abuse of our tideland lands in money, in oil.

MR. CHAMPION: You are before the body charged with that responsibility and we will endeavor to live up to that, Mr. Hortig may even want to speak to you about speaking before the Legislature.

MRS. CROWLEY: I will be very glad to support you in any way, as well as our group.

MR. SIEROTY: Mrs. Crowley, at what stage is this proposed lease of the Navy landing? Have bids come in? What is the situation?

MRS. CROWLEY: The bids were opened on August 3rd. There were four bids. We have attempted to analyze them but the City, of course, has required them for study a great deal of the time.

MR. SIEROTY: Is it true the City has not yet awarded the bid?

MRS. CROWLEY: I understand the bids have been completed by the Engineering Department and I think in cases of this kind it is rather normal for the Engineering Department to write a letter to the Council recommending the acceptance of one bid. I believe that this prerogative is to be taken over now by the City management and I believe, because we
stirred them up a little bit down there, that a case for the City is being prepared now. We also think we have a very good case. We think we have a case that should interest the Auditor General, the Lands Commission, the Attorney General, and possibly the Franchise Board and the Secretary of State.

MR. CHAMPION: Mr. Sieroty, we are most anxious to finish our agenda. Do you think we could defer this until next time, until we have the other material before us?

MR. SIEROTY: Fine.

MR. CHAMPION: Thank you.

is

We will move on to the next item, which/land sales and exchanges. All items here presented have been reviewed by all State agencies having a land acquisition program and, unless otherwise indicated, no interest has been reported by those agencies in the lands proposed for sale or exchange.

(a) Authorization for sale to State of California, Public Works Board, without advertising, of 80 acres vacant school land, Contra Costa County, at appraised cash price of $15,520; continuation in good standing of Public Works Board application to purchase $\frac{1}{2}$ of NE\frac{1}{4} of Section 25, Township 1 North, Range 1 West, M.D.M., awaiting clarification under pending litigation.

(b) Authorization for publication of notice of intent to exchange certain State sovereign lands for certain privately owned lands in San Francisco Bay; Alameda, Santa Clara, and San Mateo counties; in order to settle and confirm
the title of the State and to establish the boundaries thereof; as authorized by Chapter 1885/1959.

MR. CRANSTON: I move approval.

MR. CHAMPION: Second. Is there any objection?

(No response) Stand approved.

Mineral extraction, and oil and gas leases:

(a) Authorization for Executive Officer to issue to Pacific Cement & Aggregates, Inc., the only bidder, a sand extraction lease for ten acres tide and submerged lands in Monterey Bay, Monterey County, on sliding-scale royalty basis, as bid, starting at a minimum of $0.06 per cubic yard.

(b) Award to the highest qualified bidder, Signal Oil and Gas Company, of Parcel 20A, Oil and Gas Lease, 3,420 acres of tide and submerged lands, Orange County, for cash-bonus payment of $3,651,000.

(c) Authorization for Executive Officer to offer Parcel 23, 5,175 acres tide and submerged lands, Ventura County, for oil and gas lease.

MR. CRANSTON: I move approval.

MR. CHAMPION: Second. Is there any question?

(No response) Stand approved.

Proposed legal actions: (a) Authorization for Executive Officer to inform the Office of the Attorney General that a nominal consideration of $1 may be accepted from the United States for condemnation of the residual interest of the State in certain filled tide and submerged lands in
settlement of case No. 63-1137-CC Civil, United States District Court, Southern District of California.

MR. CRANSTON: Move approval.

MR. CHAMPION: Second. Any question? (No response)
Stands approved.

Administration: (a) Delegation of authority to the Executive Officer to rescind lease offers when applicant does not execute and return the lease to the Commission and pay the first annual rental or other consideration within thirty days, as required by statute.

Does that require a new delegation?

MR. HORTIG: Yes, sir; it does.

MR. CHAMPION: Let's handle that separately.

MR. CRANSTON: I move that delegation be granted.

MR. CHAMPION: Second. Any question? (No response)
Stands approved.

(b) 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 to confirm.

MR. CHAMPION: Second. Is there any question? (No response) Stand approved.

Legislative review of grants of tide and submerged lands, pursuant to H. R. 512/1963. What is the situation on this?

MR. HORTIG: As the Commission will recall, House
Resolution 512 was adopted in the 1963 session, directing reference to an interim committee for study with respect to various grants of tide and submerged lands. The Assembly Interim Committee on Natural Resources, Planning and Public Works has now scheduled hearings pursuant to this resolution on September 17th and 18th, and they requested a report from the State Lands Division on behalf of the State Lands Commission and, similarly, from the Department of Finance, with respect to the historical outline, a resume of the problems that have resulted from the piecemeal legislative granting program heretofore in effect, and recommendations for consideration as to possible legislative amendment and clarification of the situation to be reported by the Assembly Committee at the beginning of the 1965 session of the Legislature. Therefore, it is recommended here in the report for the Commission that the Executive Officer be authorized to report to the Assembly Committee. The report is to give the committee an outline historical review of the legislative, executive, and judicial actions that have culminated in the current State position with respect to tide and submerged lands. The report is also to present the following general and specific recommendations for consideration as to legislative implementation -- These are listed on page 46-A of the agenda before you, gentlemen,

General: 1. Placement of a moratorium on the issuance of new grants until such time as the various studies being
conducted by the executive and legislative branches of State government are completed and appropriate legislative control specifications have been adopted.

2. Amendment of existing granting statutes and statutes related to tide and submerged land development and incorporation in future granting acts of the requirement that the lands thereunder granted be developed in accordance with approved planning concepts, the former to be done where the lands so granted are not yet developed or where development has not proceeded beyond a critical point.

3. Assignment to the State Lands Commission of approval responsibility for programs for the development of granted lands.

4. Determination of priorities, on granted lands having a mineral reservation to the State, between mineral and surface development when the two are not in immediate conflict in point of space or time.

5. Determination of the criteria by which the State will share in revenues gained by grantees as a result of operations on lands granted without a mineral reservation to the State.

Specific:

1. Precise specification of the effective date of grants.

2. Specification of the State Lands Commission's responsibility to determine compliance of grantees with the
terms of granting statutes.

3. Definition of the criteria for compliance with a granting statute.


These items have also been reviewed with your Chief Deputy.

MR. CHAMPION: I might say the Office of Planning is working on this matter and these recommendations jibe with their recommendations as to what areas the Committee ought to concern itself. These don't spell out specifically what we may later be called upon to spell out, that is, what we recommend as the criteria, for example, or what we recommend as to the policies on revenue. What it does attempt to do is to tell the Legislature where we think things need to be done, and at a later date I would hope the staff would present to the Commission specifics that the Legislature agrees to take care of.

MR. HORTIG: This would be the intent of the staff, as a result of having participated in the hearings September 17th or 18th.

MR. CHAMPION: Are there any further suggestions or comments by the Commission?

MR. CRANSTON: No action is required.

MR. CHAMPION: I think we need to authorize the Executive Officer.
MR. CRANSTON: I so move.

MR. CHAMPION: Second. Any question? (No response)

Stands approved.

Determination of Commission policy with respect to development of petroleum resources in California tide and submerged lands under the jurisdiction of the State Lands Commission.

MR. HORTIG: This item, Mr. Chairman, was of course, the item precedent to the consideration of a Commission policy with respect to development of granted tide and submerged lands and is the essential element in the total review specifically requested by Governor Anderson, so that both granted and ungranted tideland policy could be determined.

MR. CHAMPION: Would it cause any difficulty, in view of our disposal of the Santa Monica matter, to put items 11 and 12 over to the September agenda? Does that cause anybody in the audience any inconvenience? (No response) Is that satisfactory to you?

MR. CRANSTON: Yes,

MR. HORTIG: That will be the order. The next Commission meeting -- Thursday, September 24th, in Los Angeles. This is getting to be a habit.

MR. HORTIG: This, of course, results because of the fact that this meeting today was scheduled for Sacramento.

MR. CHAMPION: Is there any other question to come before the Commission today?
MR. HORTIG: Yes, the very last page of your agenda, Mr. Chairman, Calendar Item 27.

MR. CHAMPION: This is an item we could do without. The item is:

Retirement of Frank W. Porter, Administrative Service Officer.

Mr. Frank W. Porter will retire from State service at the end of this month after more than twenty years, most of which have been with the State Lands Division.

His knowledge, experience, and energies will be sorely missed and not easily replaced.

His work could always be characterized by that often-used cliche, "... in the best interests of the State."

He has relieved the Executive and the operating staff of a myriad of administrative details to a degree beyond that which would be expected normally. His continuous efforts to establish practical administrative procedures have resulted in much improved efficiency for this agency.

In his own words, he always "tried to produce the best possible 'package'."

It is recommended that the Commission join the staff in thanking Frank W. Porter for his past efforts on their behalf and in wishing him the best of health and happiness for the future.

I think that is a mild statement of the feelings of the Commission.
MR. HORTIG: May we have a vote of the Commission on it for the record?

MR. CRANSTON: I move adoption, with real thanks to him for all that he has done.

MR. CHAMPION: That would be the order of the Commission -- that Frank not only have the thanks he knows each of us would want to give him personally, but it is official with the Commission.

We stand adjourned.

ADJOURNED 12:45 P.M.
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing ninety-one pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION at Los Angeles, California, on August 18, 1964.

Dated: Los Angeles, California, August 28, 1964.

[Signature]

LOUISE H. LILlico

OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA