TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA
November 13, 1964

PARTICIPANTS:
THE STATE LANDS COMMISSION:
Hon. Glenn M. Anderson, Lieutenant Governor, Chairman
Hon. Alan Cranston, Controller
Hon. Hale Champion, Director of Finance
Mr. F. J. Hortig, Executive Officer

STATE LANDS DIVISION:
Mr. Kenneth C. Smith, Public Lands Officer

APPEARANCES:
Mr. H. Morgan Noble, President, Marconi Cove Marina, Inc.
Mr. Richard C. Nelson, Counsel for Crown Zellerbach Corporation

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GOV. ANDERSON: The meeting of the State Lands Commission will come to order. The secretary will make note that all three members are present.

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

Applicant (a) Goleta Sanitary District -- Life-of-structure permit, 7.467 acres total tide and submerged land near Goleta, for construction and maintenance of 36" steel sewer outfall line.

Applicant (b) Merced Irrigation District -- Right-of-entry permit, 1.68 acres school lands, Mariposa County, needed as part of access road.

Applicant (c) County of Ventura -- Life-of-structure permit, 2.339 acres tide and submerged lands of Pierpont Bay, City of Ventura, Ventura County, for construction and maintenance of two protective groins.

MR. CRANSTON: Move approval.

MR. CHAMPION: Second.

GOV. ANDERSON: Moved and seconded, carried unanimously. Item 3 is permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission:

Applicant (a) Southern California Edison Company -- 49-year easement, 4.155 acres school land, San Bernardino County, to cover area occupied by existing overhead power
transmission line. Total rental $324.87.

Applicant (b) American Metal Climax, Inc. -- Assignment to Joseph I. O'Neill, Jr., John B. Ashmun, and H. T. Hilliard of Prospecting Permit P.R.C. 3036.1, Imperial County (geothermal steam).

Applicant (c) Donald D. Updegraff -- Assignment to Leland V. Coulter of Lease P.R.C. 3013.1, tide and submerged lands of Sacramento River at Clarksburg, Yolo County (floating wharf).


Applicant (e) Lindsey H. Spight, d.b.a. Diablo Communications Center -- Sublease under P.R.C. 2364.2 to Ralph Panella, for micro-wave installation and control station.

Applicant (f) Texaco Inc. -- Deferment of drilling requirements under Oil & Gas Lease P.R.C. 2725.1, Santa Barbara County.

Applicant (g) Phillips Petroleum Company -- Deferment of drilling requirements under Oil & Gas Lease P.R.C.
2205.1, Santa Barbara County.

Is there any discussion on any item? (No response.)

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Item 4 -- Mineral Extraction. Authorization for Executive Officer to issue to A. G. Schoonmaker, Inc., the highest qualified bidder, a mineral extraction lease for 57.59 acres of submerged lands in Suisun Bay, Contra Costa and Solano counties, at a royalty for the first year of 163 cents per cubic yard of material extracted, to be increased automatically after the first year at a rate of 5% per year for each of the next four years.

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Moved and seconded -- carried unanimously.

Item 5 -- Boundary Agreement. Authorization for Executive Officer to execute a boundary agreement between Miriam Blaich, the City of Newport Beach, and the State of California, fixing the boundary of granted State tide and submerged lands along the shore of Newport Bay.

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Moved and seconded -- carried unanimously.
Item 6 -- Administration: (a) Adoption of Rules and Regulations for public lands administration program (other than sovereign, tide and submerged lands); and the first is the adoption of final Rules and Regulations to be incorporated under Articles 1, 2, 5, and 6 of Title 2, Division 3, California Administrative Code; second is to establish $5-per-acre minimum acceptable bid for purchase of school and swamp and overflowed lands under Article 5; and third, is to revoke general withdrawal order of May 24, 1960, and direct that applications to purchase shall not be accepted until the 46th day following adoption of regulations herein set forth.

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Moved and seconded. I want to ask a question on that first, because I have been asked to ask a question by my former seat-mate in the Assembly, Jack Massion, who has written a letter on this. He is not in the audience. His suggestion was a preference for people who have adjacent property. I think he says the Government gives preference to people who have adjacent property. Could you comment on that?

MR. HORTIG: Yes, Governor. This specific problem of preferences was reviewed by the State Lands Commission at the public hearings for an adoption of policy preceding the drafting of the rules and regulations which are now under consideration for adoption today to implement that policy.
At the time of the public hearings and all during the discussions on rules and regulations up to approximately September of this year -- and this means during the entire program, which started February 24, 1959 -- there were no specific recommendations for providing preferences for private purchasers. They were not discussed and reviewed at public hearings until the last letter from former Assemblyman Massion.

The specific problem of granting preferences was disposed of as a matter of policy on vote of the Commission and also at the suggestion of the Senate Natural Resources Committee in that the original theory for preference was to provide for active applications to purchase State lands. Such necessity has long since gone by the boards. It was originally adopted by the Surveyor General's Office in terms of having the first applicant and first bidder be given the preference of meeting the highest bid on the presumption this was necessary to settle the lands, in order to settle the West. I think the conclusion is pretty well established that the West has been settled, without continuing the need for this type of preference.

It was for that reason that the specific suggestion that Mr. Massion furnished to the Commission at the last stage of consideration of rules and regulations, as well as all other types of preferences, were not included and any preceding preferences in the rules and regulations were excluded in connection with the proposed adoption of the rules
and regulations.

I might point out that any consideration for any amendment of these rules and regulations under administrative procedure would delay for at least another six months, probably because this would be a substantive change -- a program which has been five years in culmination.

GOV. ANDERSON: I am aware of that, but I wanted to get into the record as to why the staff has recommended or decided to recommend against any preferential rights.

MR. HORTIG: The basic one I have already covered, Governor. Also, I think the record can show again here, because this has been included in prior discussions, that preferences would be applicable, in fact, to only a minority of the State lands that remain available to be sold, the majority of which is not surrounded by other privately owned lands and does not adjoin other private lands, but is adjoined by property of the United States. So, therefore, this was another factor in considering why there should not be a preference provided equitably that would only apply to a minority of the possible purchasers in dispositions of lands by the State Lands Commission.

MR. CHAMPION: Fundamentally, there just isn't any public policy reason for preference.

MR. HORTIG: That is correct.

GOV. ANDERSON: Just as a matter of procedure, if somebody has a piece of property he has developed adjacent to
State lands that he initiates by making the bid and getting
the process started, then if someone makes a higher bid after
he makes the initiation, what is his next step? Does he have
the additional right to come in and meet that?

MR. HORTIG: No, sir.

GOV. ANDERSON: Once he starts the thing in motion
he can't get back into the picture?

MR. HORTIG: No, sir.

GOV. ANDERSON: Doesn't this deter the idea of some-
body starting something on property next to them?

MR. HORTIG: Not necessarily; because, as I said,
in general again the majority of State lands, vacant State
lands that are for the immediate future available for public
sale, predominantly adjoin vacant public domain of the United
States rather than private lands susceptible to development.
So for a general program any preference in this connection
would only apply to a minority as a possibility.

Additionally, this is the same problem that any same
landowner faces with respect to acquisition or desire to ex-
and acquire property adjoining property he has developed,
because he would probably prefer to buy more land in the first
instance, but wasn't sure he could.

GOV. ANDERSON: But he could get himself into the
picture, but under our policy he cannot.

MR. HORTIG: This is correct -- except by negotia-
tion with the purchaser.
GOV. ANDERSON: The other purchaser?

MR. HORTIG: The other purchaser.

MR. SMITH: There is one step not being covered here.

When he initiates his original application, that brings it to appraisal. The appraisal is made and that brings it to publication. During the publication he can increase his original offer to whatever offer he wishes to submit. He does have this second chance.

GOV. ANDERSON: You make the appraisal and he has a chance when this is published -- he can put in a new bid?

MR. SMITH: We would then know the market value and he can reopen that, so he does have a second opportunity.

GOV. ANDERSON: I am in favor of getting this on the road, because I was one of those who got it off the road in 1959 and '60. I know there are people that want to bid on State lands. I also want to point out the fact that after we adopt this -- it goes into effect about the first of the year?

MR. HORTIG: This is correct.

GOV. ANDERSON: -- there will be about what? One hundred thousand acres of State lands available for bid?

MR. HORTIG: From there on.

GOV. ANDERSON: We hope this is something they can go on with, so they can give us bids. Is there any further discussion? (No response) So ordered unanimously.

Item (b) -- Authorize modification of legal descriptions in Exhibits "A" and "C" of Unit Agreement dated June 26,
1964, for development and operation of Coal Oil Point offshore oil and gas field, Devereaux area, Santa Barbara County.

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Carried unanimously.

Item (c) is confirmation of transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1959.

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Carried unanimously. There are three supplemental items. I believe the first is Number 21 relative to consultants' services, oil and gas operations, Long Beach granted tide and submerged lands, Wilmington Oil Field, Los Angeles County, California -- Work Order 5200.2.3.

Mr. Hortig, do you want to comment on that?

MR. HORTIG: Well, Mr. Chairman, as you and the Commissioners will recall, the Commission on October 9th directed that consideration be given to the retention of consultants to work with the staff in evaluating bids received for the contractors' shares in the Long Beach Unit of the Wilmington Field.

Subsequently, on October 22nd, there was further instruction to the staff to expand the consideration to include assistance in the development and application of all required operating programs.
It has been determined from staff review that a proper evaluation of the bids will require complete analysis of the unit documents, the contractors' agreement, all available exploration data that has been developed, all production information available from operations under the Long Beach Harbor Department leases, and an engineering economic appraisal of the proposed methods of exploitation of what is essentially to be a new field; and these determinations are so complex for a field of the first magnitude of the Long Beach Unit that patently for effective consultation advice to the Commission there will have to be a competent staff from any consultant firm, experienced in management, exploration and development of oil and gas reservoirs, including secondary recovery operations, pressure maintenance, unitization programs and the unit operation of an oil field -- actually the entire gamut of exploration and exploitation of petroleum in accordance with the most modern technology and scientific methods available.

For this reason and the fact that such operations will have to be undertaken immediately because of the timing under which the contracts are to be implemented and the dates bids will be opened -- the first of which will be on February 9th -- assistance will be necessary from any consulting firm to conduct a training program for any personnel to be assigned to the State Lands Division staff, for phasing in continued control of these operations in the future when the program has been fully developed or, at least, is reaching a full development
stage. For this reason it is recommended that the Commission authorize the Executive Officer to determine the availability of consultants with experience in engineering, geology, audit and legal phases of oil and gas development, with particular emphasis on tide and submerged land operations, and to report on such available consultants for selection by the Commission.

For this latter purpose of selection, it would be my suggestion that the Commission consider the possibility of a special meeting early in December, at which time the staff can report to the Commission and have available for consultation with the Commission selected available consulting firm representatives with their specific proposals as to how this consultation work would be conducted.

MR. CHAMPION: It's fine with me. Would it be possible to have only one meeting in December and have that one early in December?

GOV. ANDERSON: I can't. I will be here for our regular meeting.

MR. HORTIG: The regular meeting is scheduled for December 22nd in Sacramento. With respect to retention of consultants, it is imperative that the Commission reach a decision as rapidly as can be done after having determined the specific programs to be undertaken by the consultants -- which can, again, best be determined in conjunction with discussion and negotiation with available consulting firms who are to be contacted and who would be evaluated for Commission consideration in accordance with the criteria which were contained...
in the report which was made available to the Commissioners approximately one week ago.

GOV. ANDERSON: When would you feel the meeting should be?

MR. HORTIG: The first week in December.

GOV. ANDERSON: You can have a meeting and Mr. Sieroty can represent me on something of this sort.

MR. CHAMPION: I will move, then, the adoption of the recommendation of the staff -- subject to consultation as to the exact date. Will you be coming back with actual recommendations, with affirmative recommendations; or will you be bringing us your recommendations on a number of bases?

MR. HORTIG: Presently it is the intent, if there are a number of qualified available firms, that the results of the discussion and representations from those firms would be brought to the Commission for final determination of a selection by the Commission.

MR. CHAMPION: This will be a complete canvass of the people who meet the requirements?

MR. HORTIG: Anyone and everyone who expressed any interest in being available will receive a complete outline of the scope of the contracts under which this work would have to be conducted and the goals to be achieved. We have had expressions of interest from three firms as a result of prior directives of the Commission to the staff to consider retaining consultants for this purpose. These three inquiries we
have had already and any others that we get, as I say, will
forthwith be given full evaluation against which to submit a
proposal if they consider they are qualified and available.

MR. CRANSTON: I second.

GOV. ANDERSON: Moved and seconded, carried unani-
mosly.

MR. CRANSTON: Let me ask you -- Do you want to try
to set a tentative date for that now? When would you be ready
with your recommendation?

MR. HORTIG: Well, not having reviewed and spoken
with, in the detail required, even the limited number of
organizations who have expressed an interest, as a matter of
safety -- and since, as I mentioned, the time requirements
make it necessary that this be early in December -- if Friday
December the 4th, were available to you and Mr. Champion for
such a review, this would probably be the best that we could
schedule tentatively at this time.

MR. CRANSTON: That will be all right with me.

MR. CHAMPION: That's fine.

GOV. ANDERSON: The order will be modified to having
a special meeting of the State Lands Commission in Sacramento
on December 4th.

MR. CRANSTON: When is the regular meeting?

MR. HORTIG: Tuesday, the 22nd.

GOV. ANDERSON: Supplemental Item Number 2 -- Number
22 on our calendar -- is the application to lease a parcel of
tide and submerged lands, Tomales Bay, Marin County, Marconi Cove Marina, Incorporated -- Work Order 5105.

There was some difference on this. I understand this has been worked out now, Mr. Hortig?

MR. HORTIG: I can report to the Commission that the staff recommendation as it is before the Commission is acceptable to the applicant. There is a possibility of modification in the immediate future, but which the Commission could consider as a modification if desired, in that the total area desired might be reduced from the 9.478 acres to approximately eight acres -- which, of course, would decrease the amount of annual rental.

If I may suggest, Mr. Chairman -- the representative of the applicant, Mr. H. Morgan Noble, is in the audience, and he might wish to comment. I do not know.

MR. NOBLE: Thank you. I appreciate being placed on as a supplemental item.

GOV. ANDERSON: Would you state your name and who you represent?

MR. NOBLE: I am H. Morgan Noble. I am president of Marconi Cove Marina, Incorporated; and I just want to state briefly the reason for this request is that very recently Synanon, an organization which is treating dope addicts immediately adjacent to our property, only Tuesday of this week came out with a plan to bring out here a possibility of a potential five thousand dope addicts from the
east coast to this area for treatment.

Now, that has affected our planning quite a bit. I think you can appreciate it, and until it is resolved we didn't want to extend our plans as much as we had previously intended. I'd like to bring to the State's attention what is happening there because you do have three State parks right opposite where this Synanon organization is locating and we have always been led to believe that Tomales Bay was going to be developed along recreational lines. The Point Reyes national seashore and the park is there and our organization is geared to that; but Synanon has located there and with these extensive plans we want to pull in our planning some and go ahead with approximately half of the area we have asked for, in other words work out details with Mr. Hortig's staff on about five acres -- because we do have our money together and would like to start our development and ask if Synanon is removed, which we hope, because they are defying ordinances all the way down the line, we would like to come back and get the additional area.

GOV. ANDERSON: Would you like to have this deferred to the next meeting?

MR. NOBLE: We would like to go ahead on the five acres -- go ahead with that if possible.

MR. HORTIG: On that basis, an amended motion of the Commission might be desirable, approving the type of lease under the same established rules and regulations and policies of the Commission for the five acres selected out of the
9.478 acres.

MR. CHAMPION: You will need to work that out. Why don't you bring that back at the special meeting?

MR. HORTIG: We will do that on December 4th and will defer such modification to that meeting.

MR. NOBLE: Thank you.

GOV. ANDERSON: Motion to defer to the next special meeting is in order.

MR. CRANSTON: Move.

MR. CHAMPION: Second.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Next supplemental item is Number 23 -- That's the Crown Zellerbach Corporation application for mineral extraction lease, Humboldt Bay, Humboldt County, Work Order 5354. Mr. Hortig?

MR. HORTIG: It is requested that authorization be given the Executive Officer to offer for lease, pursuant to competitive public bidding, seventeen acres, approximately, of submerged lands in Humboldt Bay, Humboldt County, for extraction of sand and gravel at a minimum royalty of eight cents per cubic yard, pursuant to the application of Crown Zellerbach Corporation -- which operation, in conjunction with filling uplands and establishing an operating plant, has had the full support of all the public agencies in Humboldt County with one limited exception.
We have received a telegram from the Department of Fish and Game, from W. T. Shannon, Director, reading:

"GROWN SIMPSON APPLICATION SUBMERGED LANDS NEAR FAIRHAVEN, HUMBOLDT BAY, HUMBOLDT COUNTY, YOUR FILE WO5354: IF ACTION BY STATE LANDS COMMISSION TO BE TAKEN THIS WEEK, THE DEPARTMENT OF FISH AND GAME RECOMMENDS (1) DELETION OF ANY STATE LANDS FROM THE DISPOSAL AREA . . . . .

Those lands that would have to be filled would have to be privately owned lands on the upland.

"(2). DREDGED FILL MATERIAL TO BE CONFINED BEHIND NONERODABLE MATERIAL. WITH THE IMPOSITION OF THESE QUALIFICATIONS IN ANY LEASE ISSUED WE HAVE NO OBJECTION TO APPROVAL.

(signed) W. T. SHANNON, DIRECTOR"

MR. HORTIG: (continuing) Inasmuch as the authorization sought today is for authorization to publish a notice of intention to receive bids, there is time to include these conditions in a lease to be issued, in a form that would be satisfactory both to the applicant and to the Department of Fish and Game. Subject to that understanding, it is still requested that authorization be given to publish this notice of intention. The minimum statutory time required for bidding, and so forth, would be such that consideration of award of the lease pursuant to this bid could also be taken up by the Commission at the special meeting of December 4th.
MR. CHAMPION: I'd like to move approval of this. The Economic Development Agency has been working on this property. They have been working with the various departments to see if it could be worked out. I would like to move ahead on that.

MR. CRANSTON: Are there any problems?

MR. HORTIG: Not that we are aware of. We have not had the engineering review.

MR. CHAMPION: Frank, I think I can clear it up quicker than that. The action today does not commit us. If there are problems, you can't say certainly today if there are or not. We have time for that. This is to start the time running.

MR. HORTIG: Representatives of the applicants are here if there are questions by the other members of the Commission -- if there are questions, that is, on the acceptability of the program.

GOV. ANDERSON: I am sure they would like to start.

MR. NELSON: My name is Richard Nelson. I am counsel for Crown Zellerbach Corporation. There is a very small area at the end of the area that we intend to fill which, as near as anyone can tell at this stage, is probably State-owned land. It is in the neighborhood of about an acre. It would be possible to redesign the bulkhead so that it did not cover this particular area and we can do this.

However, in that same area we are going to have to
apply to you gentlemen for a lease, a commercial lease for a
dock, and at the time we apply for that lease we will also ask
you for permission to take the bulkhead that we are going to
construct from this area and fill behind it; and the State
Fish and Game people said they would oppose this. At least
we can argue that at the time we apply for the lease, and
there is no reason to inject it into this application.

I would like to ask one other thing, if it is in
order. If you gentlemen approve putting this bid out at this
time, the schedule looks as if the bid opening would be
around December 2nd, and if at all possible we would like to
be included in your agenda for the meeting of December 4th.
This would mean that we would save perhaps as much as a month
in going ahead with our construction work and, of course, the
costs are substantial.

GOV. ANDERSON: If that can be worked out, it is
all right.

MR. HORTIG: This was one of the thoughts -- that
December 4th would be the over-all satisfactory day for the
meeting.

MR. CRANSTON: What was the basis of the price?

MR. HORTIG: This was our most recent minimum under
commercial extraction leases, as most recently authorized by
the State Lands Commission and is related to the estimated
minimum value of the quality and material to be obtained from
the dredged site.
GOV. ANDERSON: Do you second Mr. Champion's motion?

MR. CRANSTON: Yes.

GOV. ANDERSON: Moved and seconded, carried unanimously.

A moment ago, when I said there would be 100,000 acres or more of public land up for sale after the first of the year, I forgot the real item I wanted to bring out and that is to commend the staff of the Lands Commission, the legal department, everyone, for the work that has been put into bringing our public lands program up to date. I think we have something quite good and I didn't want to close this meeting without commending Mr. Hortig and the staff for what they have done.

MR. HORTIG: And the staff thanks you, Governor.

GOV. ANDERSON: Our next meeting will be in Sacramento on December 4th, and our next regular meeting -- if we decide we need one -- will be on December 22nd in Sacramento at nine a.m.

If there is no further business, we are adjourned.

ADJOURNED 10:45 A.M.

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I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing twenty pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles on November 13, 1964.

Dated: Los Angeles, California, November 16, 1964.

[Signature]

LOUISE H. LILlico