TRANSCRIPT OF MEETING of STATE LANDS COMMISSION SACRAMENTO, CALIFORNIA December 4, 1964

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Hale Champion, Director of Finance, Acting Chairman
Hon. Alan Cranston, Controller
Mr. Alan Sieroty, Executive Secretary to Lieutenant Governor Anderson, sat with the Commission in Governor Anderson's absence
Mr. F. J. Hortig, Executive Officer

APPEARANCES:

Mr. Richard Nelson, Counsel for Crown Zellerbach Corporation

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MR. CHAMPION: The meeting will please come to order. In the absence of the Chairman, Lieutenant Governor Anderson, I will be in the Chair this morning. Mr. Sieroty sits here as Mr. Anderson's representative, however. That is a non-voting participation, I think, under the regulations.

The first item on the agenda is confirmation of the minutes of the meeting of July 28, 1964. They have been submitted and if there is no objection, they will stand approved as submitted.

The next item is application to lease a parcel of tide and submerged lands, Tomales Bay, Marin County, Marconi Cove Marine, Incorporated. I believe we had an agreement in principle last time and that is supposed to be carried out. Is that now ready?

MR. HORTIG: The agreement in principle was carried out, Mr. Chairman. The Commissioners will recall that the application had been for a larger area at the same appraised value. The agenda item before you now has reduced the area to that desired by the applicant currently and with a downward adjustment in the annual rental. These are the only changes from the item that was before you previously and it is recommended that the reduced area lease, as outlined in this item, be authorized for issuance.

MR. GRANSTON: I'll move approval.

MR. CHAMPION: I'll second. Is there any question?

MR. SIEROTY: Is this the area leased?
MR. HORTIG: On the second exhibit following page 2
of the calendar item, yes, Mr. Sieroty.

MR. SIEROTY: Where was the area that was previously
applied for?

MR. HORTIG: It was more extensive both upcoast and,
I believe, downcoast -- covering more of the water frontage of
the proposed upland subdivision; but the applicant corporation,
who are the upland owners, now propose to make this tidelands
development in stages rather than in one large segment at this
time.

MR. CHAMPION: Does Synanon still hang on over there?
MR. HORTIG: Yes sir, very definitely.

MR. SIEROTY: We contemplate they will come back for
an additional lease later on?

MR. HORTIG: Yes, if their development on the uplands
is successful, they will want to lease additional tideland
area to what is shown on this exhibit.

MR. CHAMPION: Is there any further question or
comment? (No response) It has been moved and seconded,
stands approved.

Next item is the proposed mineral extraction lease,
Humboldt Bay, Humboldt County; Crown Zellerbach Corporation.
Again, I think we had agreement in principle.

MR. HORTIG: The Commission had authorized the pub-
llication of a notice of intention to receive bids for the
removal and redeposit of minerals from Humboldt Bay, pursuant
to competitive public bidding; and in anticipation that the
bids would be received and opened on December 3rd, the Com-
mission had directed that this item be presented at this meet-
ing for consideration.

One bid was received, equal to the minimum amount
specified in the notice of intention. The entire bid procedure
and proposed lease form have been reviewed by the Office of
the Attorney General and have been approved as to form; and,
therefore, it is recommended that the Crown Zellerbach Corpora-
tion, the only bidder, be awarded the lease in accordance with
their bid submitted pursuant to the Commission's requirements.

Mr. Cranston: I so move.

Mr. Champion: Second. Any question?

Mr. Sieroty: Yes, Mr. Chairman. All of the notices
have been given pursuant to statute and the time allowed for
bidding has been pursuant to statute?

Mr. Hortig: These have all been reviewed by the
Office of the Attorney General for compliance, and we have a
written opinion of the Office of the Attorney General as to
complete compliance and validity of the procedures, and authori-
ization to the Commission to issue this lease.

Mr. Champion: There was something further about
this, wasn't there?

Mr. Hortig: There was a modification desired by the
Department of Fish and Game, and this will be included in the
lease as issued. Also, the U. S. Army Corps of Engineers have
issued a permit to the State Lands Commission to authorize any lessee to conduct this dredging.

MR. SIEROTY: Just one question: I think we have a representative here of Crown Zellerbach Corporation. I believe on a prior application or in some correspondence there was a Crown Simpson Corporation mentioned. Is this the same thing?

MR. NELSON: Yes, sir. Crown Simpson Corporation is still in the process of formation and the two owning parties are carrying out the steps towards the construction of the mill. I don't think this creates any problem here.

MR. SIEROTY: Do you contemplate an assignment?

MR. NELSON: Oh, an assignment -- possibly a sale.

MR. CHAMPION: Any question? (No response) The item will stand approved.

Item Number 3 is retention of consultants -- Oil and gas operations, tide and submerged lands, Wilmington Oil Field, Los Angeles County. Mr. Hortig?

MR. HORTIG: Mr. Chairman, for the record it would probably be most complete and most expeditious if I read verbatim the agenda item which is before you for consideration and action.

On November 13, 1964, the Commission directed the staff to determine the availability of consultants to assist the Commission in the development and implementation of management programs for tide and submerged land oil and gas operations at Long Beach.
Twelve interested organizations offering consultant services in the exploration and development of oil and gas reservoirs were supplied with the material necessary to determine the magnitude, type, and variety of services that are required.

The material supplied included a general scope outline of the work to be performed, the Notice Inviting Bids for Contractors' Agreement, Long Beach Unit, the Unit Documents, the Contractors' Agreement, and copies of Chapters 29 and 138 of the Statutes of 1956 and 1964 extra sessions respectively.

Eight of the groups contacted have requested that retention of their services under contract be considered. Not all of the interested groups were found to have within their organizations the personnel required to perform all of the necessary duties, which would include personnel experienced in engineering, geology, legal, auditing, and management control phases of the development of oil and gas reservoirs. It appears that most of these qualified firms do not have relationships, obligations, or interests that would conflict with the performance of the services in connection with these operations that are required by the Commission.

In order to perform the services required, it will be necessary for the consulting firm to review and analyze the development and economics of the production of oil and gas from the unitized area in accordance with the provisions of the documents and applicable statutes. This will also require
a thorough review of data developed through operations in the currently productive portion and all available geologic information covering the undeveloped portion of the Wilmington Oil Field.

The Commissioners in their individual capacities have had a conference with the representatives of the qualified presenters of proposals for consulting services who do not have any existent or potential conflict of interests in the form of rendering exclusive consultant services on Long Beach tidelands to the State Lands Commission.

Therefore, it is recommended that the Commission designate from this group of proposals the organization to be retained as consultants under a service contract in a general form attached to this agenda item to assist the Commission by recommendations relating to:

A. Evaluation of the bids received for the contractors' interests in the Long Beach Unit.

B. Approval of initial programs for the conduct of development, production, and water-injection operations to assure optimum operational development for the economic and efficient recovery of oil and gas from the unitized area.

C. Evaluation of the scope of future services and programs necessary for the optimum development of oil and gas from the tide and submerged lands in the City of Long Beach.

It is also recommended that the Commission authorize the Executive Officer to execute a standard agreement with the
designated consultants for the services to be rendered at an
amount not to exceed $100,000; this standard agreement to be
in the general form attached to the agenda item and to be
negotiated for final approval subject to requisite approvals
by the Director of Finance and the Department of General Services.

MR. CHAMPION: By that do you mean Lands Commission
approval before approval is sought by the Director of Finance
and Department of General Services?

MR. HORTIG: It can so mean if this would be the
pleasure of the Commission.

MR. CHAMPION: As you put it verbally, it would.

is our time sequence? Are we getting involved with another
Lands Commission meeting?

MR. HORTIG: Yes, sir; and the next Lands Commission
meeting is now scheduled for December 22nd and the loss of
that much time before a reconsideration by the Commission—
unless it might be the pleasure of the Chair to accede to a
suggestion that a special meeting of the Lands Commission
could be held for such reapproval.

MR. CHAMPION: I would suggest this be in such terms
that you negotiate this—subject, really, only to informal
conference by you with members of the Commission to make sure
it is satisfactory; that we, in fact, give you the authority
to negotiate the agreement and you can clear with us.

MR. HORTIG: The motion will so show.

MR. CHAMPION: What is the pleasure of the Commission?
MR. CRANSTON: Mr. Chairman, I'd like to say first that I was very impressed with the capacity and qualifications of the several firms who have expressed interest in this contract. While it is necessary for us at this stage to select one firm to seek to negotiate this contract with that firm, it is anticipated that the burdens that are going to fall down on us when we commence this operation are so great that there will be other contracts probably desirable at that time, probably with more than one firm. So what I am simply saying is that the selection of one firm at this time does not mean that we will not possibly be working with others of the firms who are here today or under similar circumstances in the future. There will be future opportunities.

With that said, I move we adopt the resolution and instruct the staff to proceed with the motion submitted to us by the staff and the thoughts expressed by Hale, and insert the name DeGolyer and McNaughton to go ahead with that work.

MR. CHAMPION: I would second that. Is there any further question or comment on that matter?

MR. CRANSTON: I think Alan Sieroty might speak on the matter without voting.

MR. SIEROTY: I concur in the recommendation and the motion. I had the opportunity with Mr. Cranston to discuss the proposals with the proposers and I think, as Mr. Cranston stated, we were quite impressed with the quality and confidence and the interest that was shown; and we appreciate all of the
time and effort that has gone into the proposals which you have
submitted to us and the attention you have given in trying to
be of help to us, and I would hope, as Mr. Cranston has sug-
gested, that at a future time we will be able to work with
additional consultants.

MR. CHAMPION: I would like to add the same general
expression. As all of you know, as we discussed it, we have
a monumental task ahead of us and it does not by any means end
with the re-evaluation of the bids and the determination of
the future operations of the State; and we are, in fact, about
to become just about the biggest oil operation in the State of
California, with a very limited staff.

Now, that staff is going to have to be expanded and
there is no question about that. At the same time, however,
many of the things that have to be done are highly speciali-
ed operations that do not require long-term employment by the
State but can be handled on the basis of working with people
of special skills in the nature of consulting both on the
major course of the operation and on certain special aspects
of it.

I want to add my thanks to those of you who have
taken the time to consult with us on this problem.

If there is nothing further, the motion has been
moved and seconded and it is unanimously adopted, and that
will be the order of the Commission.

Is there anything further to come before the
Commission?
MR. HORTIG: Just the next meeting – December 22nd.

MR. CHAMPION: Is another meeting necessary this month?

MR. HORTIG: Yes, sir. There is a considerable accumulation of actions that have to be considered by the Commission, with deadlines running, that were scheduled with an anticipated December 22nd meeting.

MR. CHAMPION: Is there any problem? (No response)

The meeting date, then, is confirmed for December 22nd.

Thank you again. Meeting stands adjourned.

ADJOURNED 10:30 A.M.
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing ten pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held at Sacramento, California, on December 4, 1964.


[Signature]

LOUISE H. LILICO