TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA
May 27, 1965
*********

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Glenn M. Anderson, Lieutenant Governor, Chairman
Hon. Alan Cranston, Controller
Hon. Hale Champion, Director of Finance, not present, represented by Mr. John P. Sheehan, Chief Deputy Director of Finance
Mr. F. J. Hortig, Executive Officer
Mr. Alan Sieroty, Executive Secretary to Lieutenant Governor Anderson

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay L. Shavelson, Assistant Attorney General
Mr. Paul M. Joseph, Deputy Attorney General

APPEARANCE:

Mr. S. A. Young, District Engineer, Standard Oil Company, Santa Barbara
**INDEX**

(In accordance with Calendar Summary)

**ITEM CLASSIFICATION**

<table>
<thead>
<tr>
<th>ITEM ON PAGE</th>
<th>PAGE OF CALENDAR</th>
<th>ITEM ON PAGE OF CALENDAR TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Call to order</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Confirmation of minutes of January 28, February 25, and March 2, 1965</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>3 PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>(a) County of Lassen</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td>(b) Pacific Tel. &amp; Tel.</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>(c) Dept. of Parks &amp; Recreation, Div. Beaches &amp; Parks</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>(d) Reclamation Board</td>
<td>34</td>
<td>5</td>
</tr>
<tr>
<td>(e) Dept. of Water Resources</td>
<td>22</td>
<td>7</td>
</tr>
<tr>
<td>(f) U.S. Dept. of Army, Corps of Engineers</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>(a) Crown Simpson Pulp Co.</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>(b) R. W. Kelsey</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>(c) R. W. Kelsey</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>(d) R. W. &amp; Alice M. Kelsey</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>(e) George &amp; Hazel Button</td>
<td>25</td>
<td>14</td>
</tr>
<tr>
<td>(f) U.S. Dept. of Agriculture, Forest Service</td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td>(g) American Smelting &amp; Ref. Co.</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td>(h) Clear Lake Powr Company</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>(i) Don C. Hibbert</td>
<td>1</td>
<td>23</td>
</tr>
</tbody>
</table>

continued
# Index

(In accordance with Calendar Summary)

<table>
<thead>
<tr>
<th>Item Classification</th>
<th>Item on Calendar</th>
<th>Page of Calendar</th>
<th>Page of Transcript</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE continued</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(j) S. I. Corporation</td>
<td>29</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>(k) Humble Oil &amp; Refining Co. and Texaco Inc.</td>
<td>10</td>
<td>28</td>
<td>12</td>
</tr>
<tr>
<td>(l) Phillips Petroleum Co., et al</td>
<td>2</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>(m) Richfield Oil Corp.</td>
<td>35</td>
<td>32</td>
<td>21</td>
</tr>
<tr>
<td>(n) Standard Oil Co., of Calif. Western Operations, Inc. and Shell Oil Company</td>
<td>7</td>
<td>33</td>
<td>21</td>
</tr>
<tr>
<td>(o) Texaco Inc.</td>
<td>9</td>
<td>34</td>
<td>21</td>
</tr>
<tr>
<td>(p) Standard Oil Co., of Calif.</td>
<td>20</td>
<td>36</td>
<td>21</td>
</tr>
<tr>
<td>(q) Union Oil Company</td>
<td>31</td>
<td>37</td>
<td>31</td>
</tr>
<tr>
<td>5 CITY OF LONG BEACH</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) (1) Berths 232-233, Pier Y</td>
<td>14</td>
<td>39</td>
<td>32</td>
</tr>
<tr>
<td>(2) Pier A</td>
<td>15</td>
<td>41</td>
<td>32</td>
</tr>
<tr>
<td>6 LAND SALES AND EXCHANGES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) 80 acres Yolo County to County of Yolo</td>
<td>19</td>
<td>43</td>
<td>33</td>
</tr>
<tr>
<td>(b) Warren Gilsean application</td>
<td>16</td>
<td>44</td>
<td>33</td>
</tr>
<tr>
<td>7 MINERAL LEASES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Pittsburgh Plate Glass Co.</td>
<td>27</td>
<td>49</td>
<td>33</td>
</tr>
<tr>
<td>(b) Alamitos Beach Park Lands</td>
<td>37</td>
<td>52</td>
<td>33</td>
</tr>
<tr>
<td>(c) 810 acres San Joaquin County</td>
<td>28</td>
<td>54</td>
<td>34</td>
</tr>
</tbody>
</table>

---

Office of Administrative Procedure, State of California
<table>
<thead>
<tr>
<th>ITEM ON PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
<th>ITEM ON PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>23</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>30</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>11</td>
<td>25</td>
<td>14</td>
</tr>
<tr>
<td>4</td>
<td>12</td>
<td>26</td>
<td>64</td>
</tr>
<tr>
<td>5</td>
<td>13</td>
<td>27</td>
<td>49</td>
</tr>
<tr>
<td>6</td>
<td>3</td>
<td>28</td>
<td>54</td>
</tr>
<tr>
<td>7</td>
<td>33</td>
<td>29</td>
<td>24</td>
</tr>
<tr>
<td>8</td>
<td>2</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td>9</td>
<td>34</td>
<td>31</td>
<td>37</td>
</tr>
<tr>
<td>10</td>
<td>28</td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td>11</td>
<td>56</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td>12</td>
<td>37</td>
<td>34</td>
<td>5</td>
</tr>
<tr>
<td>13</td>
<td>58</td>
<td>35</td>
<td>63</td>
</tr>
<tr>
<td>14</td>
<td>39</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>15</td>
<td>41</td>
<td>37</td>
<td>52</td>
</tr>
<tr>
<td>16</td>
<td>44</td>
<td>SUPPLEMENTAL:</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>55</td>
<td>38</td>
<td>66</td>
</tr>
<tr>
<td>18</td>
<td>19</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>43</td>
<td>NEXT MEETING</td>
<td>45</td>
</tr>
<tr>
<td>20</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
GOV. ANDERSON: The State Lands Commission will come to order.

First item will be the confirmation of minutes of the meetings of January 28, February 25, and March 2, 1965.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Moved ....

MR. SHEEHAN: Second.

GOV. ANDERSON: .... and seconded; carried unanimously.

Item 3 is permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statutes:

Applicant (a) is County of Lassen -- 49-year life-of-structure permit, 6.89 acres submerged lands of Eagle Lake, Lassen County (for construction of rock breakwater to protect a public recreational area).

Applicant (b) is the Pacific Telephone and Telegraph Company -- Approval of telephone and telegraph lines over un-granted submerged lands of Clear Lake, Lake County.

Applicant (c) is the Department of Parks & Recreation, Division of Beaches and Parks -- Permit to dredge approximately 500 cubic yards of material from 0.11 acre tide and submerged lands underlying Ayala Cove, Angel Island, Marin County.

Applicant (d) is the Reclamation Board -- 49-year
permit to occupy 10.37 acres swamp and overflowed land of Hogback Island in Steamboat Slough, Sacramento County.

Applicant (a) is Department of Water Resources — Permit to extract approximately 2,810 cubic yards material from bed of Sacramento River, Sacramento County.

Applicant (f) is U. S. Department of the Army, Corps of Engineers — One-year permit for drilling of a test hole in 1,629-acre area of Corte Madera Creek, Marin County (for purpose of examining subsurface earth structure).

MR. CRANSTON: I move approval of those items.

MR. SHEEHAN: I'll second.

GOV. ANDERSON: Moved and seconded, carried unanimously.

I think at this time I want to ask Frank a question, not on one of the items specifically, but it reminded me of this and that is (b), the approval of telephone and telegraph lines over ungranted submerged lands of Clear Lake. I wasn't thinking of that specifically, but I wanted to ask the status of the request we had made of you to do what we could to encourage companies to change their policies as much as we could, to put their lines underground or under water, rather than these overhanging lines.

One of the things that brought this to my mind was the announcement in the press that Bill Bennett of our California Public Utilities Commission was back in Washington, trying to get national legislation, national policy of the
national Public Utilities Commission moving in this direction; and he was urging a tax incentive be offered, to be utilized to do the same thing we have been talking about here. He made several points, and I haven't had a chance to actually study his tax incentive proposal, but I wanted to go on record that I am pleased to find that this is being approached on a national scale; and that what we are doing and what can be done in other parts of the country toward getting this policy developed is something that I want to try to encourage.

I am going into the tax incentive policy he suggests and possibly will have a later statement on that.

That was the reason I wanted to ask you the question, Frank, as to where we are on our own policy, our own program.

MR. HORTIG: Mr. Chairman, as you will recall, there was a very brief staff report at the last meeting about the undertaking of a study which would serve as a basis for reporting to the Lands Commission on programs that might be supported by the Lands Commission, as well as establishing future policy of the Lands Commission in connection with approval of easements for purposes of installation, particularly, of electrical transmission lines.

An inventory of the status of the acquisition of this information that is being compiled and is being used as a basis for this report probably would be most revealing to the Commission today.
First -- and these are not necessarily in the order
in which they were started in this analysis by the staff, but
as I have the records before me -- the Federal Power Commis-
sion issued an order on May 10, 1965, entitled "Order Establish-
ing National Power Survey Industry Advisory Committee on
Underground Transmission" for the purpose of investigating
the state of the art of underground transmission, both by
alternate and direct current, and that they wish prepared a
report thereon:

"Such report shall be prepared and submitted as
soon as practicable and if possible no later than September 1,
1965."

It was the intent of staff to include as much of
the material as was appropriate that was offered in these
hearings, which includes such presentations as those Commis-
sioners Bennett of the Public Utilities Commission made in
Washington, without necessarily waiting until September 1,
1965 -- unless it is indicated that particularly valuable
data, as well as conclusions, will be included in this Federal
report that should be considered by the Lands Commission in
connection with the total staff report on this matter.

GOV. ANDERSON: This is the report on the Federal
Power Commission that we can expect some time in September or
October of this year?

MR. HORTIG: This is the request, as announced in
the order establishing this committee to make this study for
the Federal Power Commission. They are under a directive to submit a report as soon as practicable and, if possible, no later than September 1, 1965; and we are following the proceedings of the hearings. The first meeting of the series for this particular study was conducted last week.

Additionally, in view of the Commission's directive to undertake this study, we have the problem of interests of other State agencies and, particularly, the State agencies who have the combination problem, as the State Lands Commission has, of furnishing both the underlying lands to support the transmission line as well as the relationship of this transmission line to their land operations.

The expressions and recommendations of the following agencies have all been requested by letter: The Public Utilities Commission of the State of California; the Wildlife Conservation Board; the Department of Parks and Recreation; and the U. S. Bureau of Reclamation — who represent all of the governmental agencies in California who have the majority of the parallel problems with respect to this matter.

Additionally, the matter of considerations, bases for recommending replacement of utilities underground, was an agenda subject on the National Beautification Conference held at the beginning of this week in Washington, D.C. We are aware that as a minimum Senator E'berg, Senator Farr, and Director of Conservation Nelson attended this conference; and we will be in contact with their offices for copies of the
proceedings, particularly with respect to this element of underground utility installation as it was discussed at that conference.

GOV. ANDERSON: You have also contacted some of the power companies for their views on that, because we want to get all sides of it?

MR. HORTIG: I am glad you have reminded me. Northern and Southern California public utility companies have been contacted. Data has been received from some and data is expected from others. So we will have the private utility viewpoint as well as differences because of geographic location, both north and south.

MR. SHEEHAN: Hasn't there been a bill in the Legislature on this?

MR. HORTIG: There was a bill that these considerations be taken up by the Public Utilities Commission. This bill has gone to interim committee, I believe.

GOV. ANDERSON: Along this line as to what we can or can't do, it was brought to my attention the other day that there are even many things we do that in a sense work against it. I am thinking now of the appraisals.

When one of these companies applies to us for a permit to go across or to acquire right-of-way through our land and we tell them how much we are going to charge them, it is my understanding that we charge them less to go up in the air than we do to go underground; is that right?
MR. HORTIG: No, sir.

GOV. ANDERSON: I was under that impression--that when they get a right-of-way through the ground and put it underground, we have an appraisal fee that costs them more than if we allow them to go up in the air. If I am wrong--Alan, isn't this what we were told?

MR. SIEROTY: Maybe I can clarify this. It is my understanding, Mr. Chairman and Mr. Hortig, in discussing this with Mr. Poind, doing the staff study we are involved in on the question of pricing, that our appraisals are based upon a theory that we take only half value of the surface rights when we determine the price that we are going to charge for going over land; whereas when we go underground, we take full value of the land into consideration.

This is my understanding.

MR. HORTIG: I see the problem now, Governor, and I have the answer which I believe goes to the fact that nominally the desired amount of area involved with respect to underground installation and desired buffer strips on both sides, costs more because of the greater area proposed to be occupied in the buffer strips and insulation being furnished by the space between the State lands.

The overhead works to accomplish this same result are more economical to install transmission lines overhead.

However, particularly in line with some incentives of tax benefits which you reported Commissioner Bennett
recommended, in respect to power lines and with respect to
rental rates for all easements, this is a new subject for
study -- so there will not be a premium that wasn't designed
to be a premium to go overhead. It is purely a matter of
economics as to the amount of area.

GOV. ANDERSON: I am fully aware of the study that
is being made and I want to say something about that later;
but I wanted to raise that at this time because even though
we, as a Commission, have tried to encourage ways of getting
these lines underground, we are in our right-of-way appraisal
policies working against it. I wanted to bring it up, so
when the study comes to us they would take into consideration
the fact that maybe there was a little different thinking tod-
ay, maybe there was a little different economic condition,
than when these policies were made.

I believe, in talking to the people, they say,
"This is the policy and the policy was made years ago."

MR. HORTIG: That is true.

GOV. ANDERSON: Today, with the growth of our State,
the growth of residents and the growth of everything in our
State, up above might have values that we did not have a
few years ago. So I wanted to point this out, because these
are things we can do in California.

Going on with the calendar -- I hope you will ex-
cuse me on that, but one thing I want to do is to get our
State and public thinking as much as we can along this line;
and every so often, I probably will interrupt our agenda on this subject.

Item 4 is permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission:

(a) is Crown Simpson Pulp Company — 15-year lease of two parcels of tide and submerged land in Humboldt Bay near City of Eureka, Humboldt County, totaling 7.1 acres; annual rental $2,144.88.

(b) is R. W. Kelsey — Amendment of Grazing and Agricultural Lease P.R.C. 3006.2, Inyo County, extending term thereof from original five-year period to maximum term of ten years, effective 5/23/63.

(c) is R. W. Kelsey — Amendment of Grazing and Agricultural Lease P.R.C. 3046.2, Inyo County, extending term thereof from original five-year period to maximum term of ten years, effective 11/1/63.

(d) is R. W. and Alice M. Kelsey — Amendment of Grazing and Agricultural Lease P.R.C. 3111.2, Inyo County, extending term thereof from original five-year period to maximum term of ten years, effective 3/26/64.

(e) is George and Hazel Dutton — Acceptance of quitclaim deeds from George Ruggles and William Carson, d.b.a. Crimes Boat Landing, dated 2/24/65, and from Davis S. Hart, dated 3/23/65; and issuance of 11-year lease to George and Hazel Dutton for 1.03 acres tide and submerged lands, Sacramento
River, Colusa County, for floating boat dock; annual rental $150.

(f) is U.S. Department of Agriculture, Forest Service -- 49-year easement over 6.98 acres school lands, Plumas County (for construction of a road). Total consideration $1,650. Road shall not be exclusive to either grantee or grantor.

(g) is American Smelting and Refining Company -- Two-year prospecting permit, for minerals other than oil and gas, 18.31 acres vacant school land, San Bernardino County.

(h) is Clear Lake Power Company -- Two-year prospecting permit for geothermal energy, 394 acres of Clear Lake, Lake County.

MR. CRANSTON: I want to ask about that one. What effect, if any, would there be on recreational uses?

MR. HORTIG: If I may refer to the calendar item, Mr. Cranston, appearing on pages 19 to 22, I believe we have already reported a review therein; and that the Department of Fish and Game and Water Pollution Control Board have each requested that certain provisions be included in the prospecting permit form to insure protection of marine life, as well as water clarity; and the Division of Beaches and Dunes after review has submitted a letter of nonobjection based on the fact that there will be, in the manner of the operations conducted, nothing detrimental to recreational activities in Clear Lake.
MR. CRANSTON: No problems with boats?

MR. HORTIG: Well, the structure, the drilling platform, whenever it is in place will be clearly marked, buoyed, lighted at night. It is contemplated, and Exhibit A to the proposed permit provides, that any wells drilled into the submerged lands of Clear Lake shall be directionally drilled from approved upland drill sites. This is the initial operating method to which the permittee will be restricted during the initial prospecting. If a lease is offered for geothermal steam production, then the lease terms will be again reviewed by this Commission.

MR. CRANSTON: What will be the appearance aspect of it?

MR. HORTIG: It looks like an oil well. Basically, standard oil well equipment is used to drill holes into the ground.

MR. CRANSTON: How many of these might be going on at once?

MR. HORTIG: At the present time under this permit, one.

MR. CRANSTON: Have adjacent cities and counties been apprised?

MR. HORTIG: And the legislators who have the Clear Lake district in the Assembly and Senate, yes.

MR. CRANSTON: And there have been no questions raised by local government?
MR. HORTIG: Mr. sir, I might also point out -- in the adjoining County of Sonoma, of course, the development of geothermal energy as it is being used by the Pacific Gas and Electric Company in the Geyser area is considered an economic asset to the county; and Lake County also considers it an economic asset.

MR. CRANSTON: There has been no local resident who protested this?

MR. HORTIG: No, sir,

MR. CRANSTON: Has there been any advice to local residents?

MR. HORTIG: There have been local press reports,

MR. CRANSTON: There have been? Describing what would be done?

MR. HORTIG: Very brief in general, yes sir.

GOV. ANDERSON: Applicant (i) is Don C. Hibbert -- Assignment to M. A. Lindner of Prospecting Permit P-2-R-2, San Bernardino County.

(i) is S. I. Corporation -- Two-year prospecting permit for geothermal energy, for mineral waters, and for all minerals other than oil and gas, 600 acres submerged land underlying Clear Lake, Lake County.

MR. HORTIG: Same comments, Mr. Cranston -- upland drill sites.

GOV. ANDERSON: (k) Humble Oil & Refining Company and Texaco Inc. -- Deferment of drilling requirements, Oil & Gas
Lease P.R.C. 186.1, Belmont Offshore Field, Orange County, through 12/31/65.

Frank, maybe before I read on, this might be a time for you to identify why we are deferring some of these.

MR. HORTIG: The first one you have just read, Mr. Chairman, with respect to Lease P.R.C. 186, is a proposed deferment on a basis that is different than all of the others. It is predicated on the recommendation that no additional drilling or modification of operating procedures be undertaken at the present time under this lease -- where there are upwards of fifty wells producing and paying royalties to the State every month.

The reason for deferring any new development programs is in order to permit the Lands Commission to proceed with a basis for development of the area immediately to the west of this existing lease, which in turn will be in the Long Beach Unit which is being developed under the Field Operator Contract approved by the State Lands Commission.

Even though all of the operations on the three parcels I have enumerated might not be conducted under one unit agreement, they at least would be conducted under one unit and one cooperative agreement, so the total operations and the total reservoir would be conducted under compatible operation -- so you don't have water put into one place and the oil being forced into the next property, and so there is maximum effective development of the oil from the entire
reservoir which underlies these separate parcels, which are under three separate administrative jurisdictions.

GOV. ANDERSON: This is the one where they are not unitized, but they do have their own repressurization program and operation.

MR. HORTIG: And it is impossible to predict what modification should be made until the operation on the west is under way and we know, under the controls that the Lands Commission has under this lease and because of the desires of the lessee to cooperate with the maximum effective development program, that their operations would be modified and implemented however it may be necessary in order to be compatible with the new unit operations adjoining immediately to the west.

Under these circumstances, it is recommended that we permit them to simply produce, as they have been doing since 1947 and that modifications and the elimination of the necessary other further deferments will come as of the time that the complete operating plans are available, which can be as early as by the end of this year, because there is a later agenda item under which we are recommending that the Commission authorize a development plan for the intervening area of State-owned lands that is unleased, undeveloped, and lies between the subject lease and the Long Beach Unit which is already under development plans.

GOV. ANDERSON: While you are explaining this same
thing, you might as well take up the ones, say, at Santa Barbara, where we have this new court ruling — why we are deferring them.

The next one is Applicant (1) Phillips Petroleum Company, et al. — Deferment of drilling requirements, Oil & Gas Lease P.R.C. 2207,1, Santa Barbara County, through 12/21/65. (To obtain needed additional reservoir performance data.)

I understand your explanation applies to the other two, at least, in the Santa Barbara County area.

MR. HORTIG: Basically, items (i), (m), (n), and (o) all have the same problem of necessary technological evaluation of exploration data derived from sources other than the drilling of the wells that have been drilled on the respective leases, in order to determine whether it would be economic to drill additional wells.

Additionally, on the seaward side of these leases there is a strip of varying width, the exact width of which we will not know until the Supreme Court has issued its decree in connection with the decision rendered a week ago last Monday on the offshore tide and submerged lands.

GOV. ANDERSON: It would probably average about a hundred yards, wouldn't it?

MR. HORTIG: In some cases, and half a mile in others — depending upon where this strip is offshore from leases that were issued with an outer limit of three statute miles rather than three geographic miles.
GOV. ANDERSON: I think this should be point- - that the Supreme Court did set back California, but the limit was to one hundred yards further out.

MR. HORTIG: No. They gave up the hundred-yard strip probably as a result of the Supreme Court decision, but in some areas we had not leased out to, or the lease in its earlier form had not leased out to three geographic miles from the high water mark.

The difference between a statute mile and a geographic mile is the difference between 5,280 and 6,020; but the Supreme Court decision, where there are no permanent harbor works along the shore, does state that the setting of the State's outer limit is measured from a baseline which is the average of all the lower tides rather than the average of all the high tides.

GOV. ANDERSON: Which is what we used before.

MR. HORTIG: This is correct. Now, in round numbers, our best estimate is that the difference between measuring low water and lower low water, which is really the difference, the width that the Supreme Court has added to the jurisdiction of California which we did not feel was included, is a long, narrow strip along the entire coast of California containing probably a thousand acres in the aggregate; and conversely-- and still in context as to your statement as to a loss, the State of California did not lose any of the basic tide and submerged lands.
GOV. ANDERSON: We actually gained on this.

MR. HORTIG: Gained modestly.

GOV. ANDERSON: Do you feel it is to the State's benefit to defer these, or to the oil companies' benefit? Why are we deferring them in this connection?

MR. HORTIG: First, the deferments are objectively necessary in order to permit the lessee to make a real economic evaluation of what should be an effective additional operating program, and they need this time in order to make these technical studies to determine whether it is worthwhile to go out and drill additional wells because the probabilities are that these will be productive.

GOV. ANDERSON: This deferment is for this reason, rather than because of the decision of the Supreme Court?

MR. HORTIG: Absolutely; but a corollary issue probably is the fact that it would probably not be advantageous to consider suggestion of quitclaiming undeveloped areas in these existing leases at this time because we do not really have the full picture of what would become releasable by that process until the decree of the Supreme Court is issued.

Therefore, it is recommended that there be a deferment and there not be a forcing of any quitclaims at this time because we can't make an objective measurement of what the effect of forcing a quitclaim at this time would be.

GOV. ANDERSON: When would the Supreme Court decree be issued?
Mr. HORTIG: Might I suggest, Mr. Chairman, that this might be best included in the report of the decision and the prognosis of the decree and the effect of the decree by Assistant Attorney General Shavelson, who labored long and hard in this battle.

GOV. ANDERSON: Mr. Shavelson?

MR. SHAVELSON: Would you like that right now, Mr. Chairman?

Of course, we were disappointed. The most extensive area in controversy between the State and the United States involved the question as to whether or not the outer boundary of the State for purposes of the Submerged Lands Act would go around the outermost islands or, in the alternative, in Southern California, across Santa Monica and San Pedro bays, and also in middle California across Monterey Bay.

The basic position of California in the law suit was that it was the intention of Congress to uphold California's historical expectations as to what constituted its boundaries and to grant the lands within those historic boundaries.

The Court denied that contention and stated that it was the foreign policy of the United States and the international law which were determined and adopted as the most convenient and most definite criterion. The 1958 Geneva Convention, which has been ratified by the United States and as of September last year became fully effective since it was ratified by the required number of countries, was applying the
principles of the Geneva Conference to the California Coast.

Many of our major claims were denied; but, on the other hand, the State is in a better position than it was under the Special Master's Report that was rendered in 1955.

First of all, Monterey Bay is established as inland waters of the State, so that the State will win the subsoil out three geographical miles drawn from a line headland to headland in front of Monterey Bay.

Secondly, the Supreme Court upheld California's contention that artificial structures, even those erected subsequent to the effective date of the Submerged Lands Act, will have the effect of extending — when I say "structures," I mean harbor works — will have the effect of extending California's margin out an equivalent distance.

An example of that, I understand, is Half Moon Bay, where the harbor works go out as far as a half mile, and those were erected about 1960. This will extend the State's boundaries an equivalent distance in that area, and there are probably other harbors on the California coastline that will advance.

GOV. ANDERSON: Is this something that will advance our boundary in the future, or is this on anything prior to this?

MR. SHAVELSON: Literally, under the Court's decree, any structure at any time will extend the line out. However, the Court dropped a broad hint, stating that the United States
could protect itself by conditions. We have to get a permit from the Corps of Engineers, so we have to expect that before granting that permission they will require that we agree this will not go beyond the boundaries set by the decree.

So for practical purposes, then, it is affecting structures from 1953 to the present date and that will affect some things in certain areas.

Finally, as Frank pointed out, we previously in our contentions felt that rather than using the line of ordinary low water, we use the line of lower low water. As of the actual shoreline, that is going to add, as Mr. Hortig pointed out, a thousand acres up and down the coast.

However, a great portion of our lines are going to be from overlying rocks — an area that is emergent at lower low tide. Now, the difference between low tide and lower low tide can be expected, in some instances, to turn rocks into lower low tide elevations, which wouldn't be so were the ordinary low water mark criterion adopted; and since these rocks are, say, a quarter mile off the coast, that would have the effect of extending the line out a quarter mile in those areas.

We haven't made a minute examination in those areas, but I am told this will be significant in rather substantial areas.

GOV. ANDERSON: Any further comments?

MR. SHAVELSON: The Court has ordered the parties
to submit a proposed decree by September first. The Court did not reconvene until October of this year. It will adjourn about the first of June and won't reconvene until October of this year, so it wouldn't have an opportunity to adopt, reject, or reconcile differences between California and the United States until some period after October first of this year.

GOV. ANDERSON: I see most of these deferments are to December of this year. Would that be an appropriate time?

MR. SHAVELSON: I would say so, yes, Mr. Chairman.

GOV. ANDERSON: Applicant (m) Richfield Oil Corporation — Deferment of drilling requirements, Oil & Gas Lease P.R.C. 1466.1, Ventura County, through 12/31/65.

Applicant (n) Standard Oil Company of California, Western Operations, Inc., and Shell Oil Company — Deferment of drilling requirements, Oil and Gas Lease P.R.C. 2894.1, Santa Barbara County, through 12/27/65.

Applicant (o) is Texaco Inc. — Deferment of drilling requirements, Oil & Gas Lease P.R.C. 2206.1, Santa Barbara County, through 12/13/65.

Applicant (p) is Standard Oil Company of California — Approval of location and construction of a pylon-supported "Outrigger Type" drilling and production platform approximately 16,150 feet offshore and southerly of Sand Point, Santa Barbara County, within area of Oil & Gas Lease P.R.C. 3130.1.
I am not going to object to this, but just raise a point of what we are doing along this line. This is another structure we are putting out in the harbor that will be one hundred eighty-five feet high; the general platform is some fifty feet high, and the drilling structure will go another hundred thirty-two feet; and if things are successful, and we expect them to be, they will be up there for probably five years.

I just want to raise this because I know some time back we hoped there could be more progress toward the ocean floor drilling method that we have witnessed and viewed at different times, rather than putting these up all along the harbor.

I had asked the question as to what this outrigger type was. Frank, you might explain it -- rather than there being an outrigger from the top that I assumed when I saw the explanation, it is a pylon-supported structure?

MR. HORTIG: This is correct. The essential difference is one of engineering design; and rather than extending the bearing over four pylons, considerable bearing and fastening to the ocean floor is accomplished by two large legs and cantilevering the deck out, and supporting the four corners by two smaller pylons -- hence, the outrigger terminology, which, however, is not to be confused with an outrigger as, for example, an outrigger canoe. There is no additional occupancy of the surface of the water or
projections above the surface of the water; and, as a matter of fact, without a close approach and a detailed study of some of these platforms, it is extremely difficult to tell, because of the protective coatings and the guards they put around the leg sections, whether it is one of the standard original platforms or pylon-supported platforms.

This is a technical distinction, without a real visual difference added to the structure.

GOV. ANDERSON: About two years ago - time escapes me, but it seems to me at least two years ago, we had a motion picture shown to us of this new method of ocean floor drilling and how this was going to probably be the way it was going to be done in the future; at least, this is the impression many of us drew. What has happened to this?

MR. HORTIG: We have in California more ocean-floor-completed tideland oil wells than anywhere else in the world as a result of the continued application of this technology.

However....

GOV. ANDERSON: How many do we have?

MR. HORTIG: Thirty.

GOV. ANDERSON: We have thirty of them - thirty ocean floor operations?

MR. HORTIG: That is correct -- individual wells that have been completed on the ocean floor, sitting their silently, without pollution, and sending oil to the shore without anything projecting over the surface of the water.
However, as was originally announced and, apparently was not sufficiently stressed at the time of the presentation of the film, this was a new technology that was being added and could be used in areas where it was both economically and mechanically feasible and desirable to do so; but that it would not be the panacea and the absolute replacement for all other types of operation, and that the optimum type of operation of maximum benefit both to the State and the lessee would still depend on engineering selection of the best engineering, economic method of accomplishing the operation.

In some borderline, deep waters — and particularly some rough bottom locations, in areas where it is necessary to provide for considerable holding and storage capacity because of the extreme distances for transmittal of the oil to shore, the economic cost still calculates out that there is a place where the platform operation, in the sense of an engineering operation, is the best type of operation and, in some instances, the only type of operation because of the type of the oil.

GOV. ANDERSON: Just for example, the one we are approving here — why could not the ocean floor type be used instead of this? Is it the fact they want to go in so many times from one platform?

MR. HORTIG: No, sir. I think that ocean floor completions located at this distance offshore and over the distances that will be explored and would be developed from the
platform would be many times more costly in operation than can be conducted from this platform.

Incidentally, I have a note: "How come platform is more than three miles out, for example 16,150 feet?"

It is this distance offshore and is not in a harbor area, incidentally, as the Supreme Court has told us, but is out in the open seas in the Santa Barbara channel. This is apparently on one of those leases that are out three geographic or nautical miles, which is 18,060 feet; so it is more than three statute miles offshore, but still within the lease, Mr. Cranston.

MR. CRANSTON: I think it might be appropriate if we had reports from the oil companies as to the considerations involved and why they seek a platform instead of underwater, so we would know what figures are involved.

MR. HORTIG: If the Chairman pleases, a representative of the applicant is in the audience and I think he just volunteered.

GOV. ANDERSON: Is this Standard Oil? First, I want to make it clear I am personally not objecting to this particular application, but I am concerned in why we are continually having these things before us and I don't see the other type. Maybe I am not aware of them because I don't see a derrick there. How many companies are using the ocean floor? Are most of the companies doing some of this?

MR. HORTIG: Well, there are principally four
companies who are lessors who have used both -- who are using both ocean floor completions and platforms.

GOV. ANDERSON: And how far out and how deep do they put the ocean floor wells?

MR. HORTIG: The problem is there is no usual practice. We have some in water that I recall now is two hundred forty-five feet deep, which is deeper water than we have expected any platform in; but the bottom condition, the gravity of the oil, and the adjoining lease facilities which had platforms which could also be used as an operating base for assisting these, all played a part in the selection -- again, as I say, of the optimum technologic method.

GOV. ANDERSON: I had drawn from that movie that the ocean floor wells would go out where it would be deeper and where this type --- the island type, the pylon type --- wouldn't be able to reach down because of the depth. If this is the case, maybe what we are doing is actually having the platforms out there for servicing, for docking purposes, more than for well purposes.

MR. HORTIG: No, they will be out there for servicing in the sense of being a production platform, but I think both for platforms used for the drilling or for drilling additional wells, as well as servicing other ocean floor completion wells.

While the forecast was in general, again, correct -- and this was subject to the usual problems of generalization ---
that in some instances it would be possible to develop an
area by ocean floor completion only because the water was too
deep for platforms that had been designed at that time, plat-
form design and development has kept pace with and it is
feasible today to put platforms in much deeper water than it
was at the time that you saw the film with respect to the
first of the so-called invisible oil wells placed offshore.

I would like to comment on your statement, Governor,
that these ocean floor completion wells don’t come before you,
and say you are not aware of them because they are completely
out of sight. They are a routine well operation where they
are placed. These are approved by staff for placement and
this is why we have accumulated thirty of them since that
first one, of which you saw the film; but because of the Com-
mission’s interest and concern over the number and location
of platforms, we have made it a practice to bring these
individually to the Commission for individual scrutiny and
approval, rather than what would normally be corollary prob-
lems to be approved by staff.

GOV. ANDERSON: Are most of these in deep water?

MR. HORTIG: No, sir. They range in anything from
forty feet to two hundred forty-five feet of water, but many
of them are in areas where a platform is prohibited by the
lease, that is, closer than one mile of shore. Even though
it had a mechanical feasibility of going out into deeper
water, they are not out in deeper water because they are
under the prohibition of not drilling wells within one mile from shore. If there were no lease limitations, economics would dictate that there be platforms there.

The county, in these instances, requested the Lands Commission to provide that wells not be drilled closer than one mile from shore and, therefore, the only way for them to complete wells is to go ocean floor. It does not give the State and the lessee optimum return.

GOV. ANDERSON: How much does it cost? Have you ever figured the percentage? Are we talking about a very small cost?

MR. HORTIG: Again, it is a difficult generalization because the conditions vary so widely; but for an equivalent number of wells, it could cost in the range of two to four times as much to do it with ocean floor completions, and the four times may be conservative, as against platform or island type, where just the engineering economics, and other considerations aside, indicate the platform or island type would be the most economic way to do it. Then, replacing these with ocean floor completions, as I say, could raise the cost of both initial development, as well as continuing operations, by many factors.

Do you wish to hear from Standard?

GOV. ANDERSON: I have no objection. Maybe I am pushing this too far.

MR. CRANSTON: No, I would be interested in
hearing him.

GOV. ANDERSON: The gentleman from Standard Oil, would you like to comment? — not necessarily commenting on this item, because this item is not in question. My only question is why aren't we using the ocean floor completion method instead of platforms in many cases?

MR. YOUNG: Mr. Chairman, I am Stan Young, District Engineer for Standard Oil Company in Santa Barbara.

I really can't add too much to what Frank has said. He has covered it quite admirably, but I would like to point out one or two additional items, one of them being that a good number of completions are gas wells and the operational problems are less severe.

I believe you know what happens to low gravity crude, the viscose in it. This creates plugging problems in your pipelines and the operational problems are huge.

Perhaps you recall in the last year or two — — Frank, you would remember the time better than I do — but Texaco had a number of ocean floor completions up towards Point Conception and the diving bills that came up, the fact that they couldn't keep the wells on steady operation — which is, of course, an operation cost to the operator and the State — resulted in putting in a production platform so they could service them.

Drilling the wells is one problem; and Frank's comments that they cost two to four or five times as much is
certainly in line with what I would say, too; and, also, in some cases maybe you couldn't drill the wells at all.

We are having extreme problems up in Oregon now because of weather conditions. It is somewhat easier off the coast of California, but not that much easier. It is a very difficult thing to do.

In the case of the parcel next to Summerland, we have this designed for two sixty-well platforms that will be able to go in and quickly develop this particular lease. It may be a little different in this case than we did in Summerland, in that we are going to have two rigs operating from a single platform. We hope we can develop it that way and have the lease developed in the minimum time. Naturally, we are all anxious to get the oil as soon as possible.

GOV. ANDERSON: How many platforms do we have in that general vicinity?

MR. YOUNG: Five, but they range all the way from Point Conception past Santa Barbara.

MR. CRANSTON: Is progress being made toward making this more economical, or are difficulties being run into that indicate it can never become standard procedure?

MR. YOUNG: Progress is being made, certainly, all the time. However, we can't overlook the economics. This is certainly a large problem. We are drilling in deeper water now than we ever have before. Our Oceano wells are off the coast in almost six hundred feet of water. This
hastn't been done before. We are putting platforms in somewhat deeper water than we have before.

If you can drill and produce oil from platforms, it is quite similar to drilling from land. Any time we can drill from land, we would certainly prefer to do that, practically; but you also have problems with floating barges and tides.

To answer your question, certainly we are making progress; but I don't think we will ever come to the point where every well can be done by ocean floor completion.

MR. CRANSTON: Do you have any idea of what it would cost?

MR. YOUNG: I honestly do not. We haven't made such an estimate. The drilling costs would be two or three times as much; the operating cost would be several-fold; but I really don't have precise figures.

GOV. ANDERSON: Thank you very much.

Applicant (q) is Union Oil Company of California - Amendment of Lease P.R.C.* 3116.1 (covering submarine pipelines and power cable right-of-way easement, Santa Catalina Channel, Orange County), by deleting present legal description and substituting therefor a description increasing the acreage from 19.88 to 22.72, and increasing the annual rental from $658.03 to $752.03. Establish March 26, 1964 as effective date of amendment. Assess $282 additional rental for period 3/26/64 to 3/25/66, and for the last year; set annual
Mr. Cranston: I move approval of those items.

Mr. Sheehan: Second.

Gov. Anderson: Moved and seconded, carried unanimously.

On this last one, Frank, this is a submarine pipeline from a platform?

Mr. Hortig: Pipelines and necessary cables.

Gov. Anderson: Approximately two and one-half miles off?

Mr. Hortig: That is correct, sir -- an existing platform on a lease issued by the lands Commission.

Gov. Anderson: Item 5 -- City of Long Beach approvals required pursuant to Chapter 29/56, First Extraordinary Session and Chapter 138/64, First Extraordinary Session:

(a) Determine that following expenditures by City of Long Beach from its share of tideland oil revenues are in accordance with the provisions of Chapter 138/64, First Extraordinary Session:

(1) Approximately $4,464,000 for the construction of wharf and back-area development at Berths 232-233, Pier Y.

(2) is $2,837,000 for construction of division dike realignment at Pier A.

Mr. Cranston: Move approval.

Mr. Sheehan: Second.

Gov. Anderson: Carried unanimously.
GOV. ANDERSON: Item 6 -- Land Sales and Exchanges:
(a) authorize sale of eighty acres school land
in Yolo County, without advertising, to County of Yolo, at
appraised cash price of $1,396.
(b) (1) Direct the Executive Officer to withdraw
the appeal now pending before the Secretary of the Interior
under State Exchange Application No. 74; (2) reject the
application of Warren Gilzean, filed 8/15/55; (3) direct the
Executive Officer to return all deposits made under said
application except the $5 filing fee.

MR. CRANSTON: I move approval.
GOV. ANDERSON: Moved and seconded.
MR. HORTIG: I would have anticipated there might
have been a presentation with respect to item (b).
GOV. ANDERSON: Is Mr. Gilzean or anyone repre-
senting Mr. Warren Gilzean in the audience? (No response).
Moved and seconded, carried unanimously.

Item 7 -- Mineral Leases: (a) Authorize Executive
Officer to issue a mineral extraction lease to Pittsburgh
Plate Glass Company on 91.11 acres sovereign lands in Owens
Lake, Inyo County, at royalty rate of $.50 per ton or two
percent of the weighted average sales price, whichever is
greater, f.o.b. the extraction plant.
(b) (1) Approve in principle the offer for the
development of oil and gas from the Alamitos Beach Park
Lands, utilizing a net profits contract with a specified
minimum of 16-2/3 percent of the allocated gross production and with provisions for advance payments; (2) authorize Executive Officer to prepare notice inviting bids, bid form, and the Tract No. 2 Contractors' Agreement covering the Alamitos Beach Park Lands, Long Beach Unit, Wilmington Oil Field, Los Angeles County; (3) direct the Executive Officer to submit the documents in their proposed final form for approval by the Commission.

(c) Pursuant to request received under provisions of the Public Resources Code, authorize Executive Officer to offer 810 acres tide and submerged lands underlying San Joaquin River, Middle River, Connection Slough, and Whiskey Slough, San Joaquin County, for oil and gas lease.

Frank, do you want to comment on the new offering of the Alamitos Beach Park parcel?

MR. HORTIG: Yes, particularly to this extent -- that a draft form of a proposed method for contracting has been prepared in the Office of the Attorney General. This is not to indicate that this has been adopted by the State Lands Commission and will not be until further report at the next meeting of the Lands Commission; but copies will be available to anyone interested in industry who would like to review it and discuss it with State Lands and the Attorney General's Office before it is recommended for final adoption by the Commission at the June meeting.

GOV. ANDERSON: Any questions or comments?
MR. CRANSTON: Move approval.

MR. SHEEHAN: Second.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Item 8 -- Administration.

I suppose this might be where I will make an announcement regarding Alan Siersty, who has been in my administration, has been my executive secretary and with my office for over four years. This, I understand, is going to be his last meeting. He is leaving me to take another appointment, which I am not at liberty to divulge, but I understand a release is going to be put out on it.

I just want to say Alan has done a tremendous job as far as I am concerned -- not only attending these meetings but spending twenty, thirty, forty percent of his time helping with things and talking with Frank and trying to educate me on many of these very difficult subjects that come before the State Lands Commission.

I want to say I am very happy that Alan is getting a better position, but also unhappy he is leaving me because he has done such good service as far as I am concerned. This will be his last meeting.

I have asked another member of my staff to attend this meeting, Stephen Wagner. Do you want to stand up, so they know what you look like? Stephen will probably be
attending these meetings to help me in the same manner Alan has been doing.

MR. CRANSTON: I'd like to join in the expression that we are sorry Alan is leaving. He has done a great job and been of help to all the Commissioners.

MR. SHEEHAN: I second the motion.

GOV. ANDERSON: That's one part of the administration item, then,

(a) Authorize Executive Officer to execute and have recorded a transfer agreement, transferring possession and control of 0.081 acre sovereign land in Marin County from Department of Public Works, Division of Highways, to the State Lands Commission.

(b) Execute service agreement with San Diego Unified Port District, San Diego County, pursuant to Chapter 67/62, as amended by Chapter 673/63, providing for surveying services to be rendered by the State Lands Commission, at Commission's actual costs not to exceed $15,000.

(c) Execute interagency agreement with Department of General Services, Office of Architecture and Construction, providing for delineating, drafting, and engineering services to the State Lands Commission for the 1964-65 fiscal year, at actual costs not to exceed $5,420. (There was a mistake in the original printing, and that has been corrected in mine.)

MR. HORTIG: Yes.

(d) Execute service agreement with City of Oceanside
San Diego County, providing for surveying services to be rendered by the State Lands Commission as contractor, pursuant to Chapter 217/63, at Commission's actual costs but not to exceed $4500.

MR. CRANSTON: Move approval.

MR. SHEEHAN: I'll second.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Item 9 -- Boundary Agreements: Authorize Executive Officer to execute Boundary Line Agreement No. 59 with Valeri Silacci, fixing the Ordinary Low Water Mark along the Petaluma River, Sonoma County, as the permanent boundary between State submerged lands and subject private lands along the tidal waterway.

MR. SHEEHAN: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Item 10 is to confirm transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1959.

MR. SHEEHAN: So move.

MR. CRANSTON: Second.

GOV. ANDERSON: Seconded, carried unanimously.

Item 11 -- Informative only, no Commission action required: Report on status of major litigation.
Frank or Mr. Shavelson, who wants to make the report?

MR. KORTIG: The first supplement to that, of course, was Mr. Shavelson’s report on the Supreme Court tideland decision, which you have already had.

MR. SHADELSON: That’s right. There is one other report on which there has been a modification since the printing of the item and that is the Morro Bay situation; and Deputy Attorney General Paul Joseph is here and will give a brief updating on that.

MR. JOSEPH: The City of Morro Bay incorporated this county territory last June and a controversy arose between the city and county as to who would take over the tidelands in Morro Bay, inasmuch as there were twenty or thirty upland owners suing over the tidelands. There was a suit by the City of Morro Bay against the county when the city had to take over the administration of the trust.

They actually moved in and took over the administration on about May 17th and the law suit, as to which has to administer the trust from now on, is going to be settled. Certain differences between the city and county are still being litigated.

The State Lands Commission and the Office of the Attorney General are helping to smooth over the situation and see that the city administers the tidelands trust. So, effectively, the city has taken over the administration of
the tidelands in Morro Bay.

GOV. ANDERSON: Any other report?

MR. HORTIG: Not with respect to that item.

If I may invite the attention of the Commissioners to the only supplemental item, entitled "Informative" with respect to legislation, which follows on pages 66 et seq. of your agenda -- this is intended, of course, to be the monthly status report forwarded to your respective offices; but I would like to invite the attention of the Commission to a small matter of personal satisfaction, appearing on page 66.

Three bills were authorized by the Lands Commission to be introduced. This authorization was on December 17, 1964, and these bills were intended to modify the Public Resources Code to improve the administrative efficiency of the State Lands Commission; and I am happy to report today that two of the bills have been signed by the Governor and chaptered, and the third one is under enrollment and will be in the Governor's office, which I feel is a pretty good box score.

GOV. ANDERSON: Frank, along the same line, I thought you might give us a report on the budget item that we had requested. I think in the administration of the Wilmington Long Beach Oil Field, we had requested in the budget some eighty-eight people, wasn't it, checking up on the program. Would you give us a report on that and where we are, so we might know what to do?
ME, HORTIG: The State Lands Commission, at the April meeting, considered approval of a proposed budget augmentation by the Department of Finance, which would have provided eighty-five new positions in the State Lands Division for the purpose of administering the Lands Commission's responsibilities under Chapter 138 in Long Beach, and three workload staff positions to be assigned to Sacramento.

The Assembly Subcommittee on Ways and Means reported to the full committee, and the full committee adopted a report a week ago yesterday, recommending that funds be appropriated only for the establishment of eight new positions at Long Beach — these to be all at upper level supervisory levels, with the intent of having these eight positions monitor the operations for the first year and to return next year at the budget session with a recommendation as to augmentations that were felt to be necessary, in fact, based on measurement of the workload during the fiscal year.

On last Friday morning, the Assembly Subcommittee proposed an amendment to that augmentation, to add the three staff positions for State Lands Division, Sacramento, on the understanding that these had been omitted inadvertently from the original recommendation, where all the attention was focused on the Long Beach problem, and it was recognized that the three staff positions which were in the augmentation were there as workload positions that would have been included in the Governor's budget and would have been in the
regular support budget for the State Lands Division had the report of organization study from the Department of Finance been available at the time that the regular budget was prepared; and these recommendations were pursuant to the organization study which had been requested by the State Lands Commission in July of 1964.

As recently as this morning, there has been a meeting with representatives of the Senate Subcommittee of the Senate Finance Committee — which possibly Director Sheehan would like to report on, to the extent that it is feasible.

MR. SHEEHAN: You are doing fine.

MR. HORTIG: It was reported to the Subcommittee this morning, preceding this meeting today, that it was the feeling of the State Lands Division and the Department of Finance that the total supervision responsibilities for all the Long Beach tideland operations as far as oil and gas operations were concerned could not initially be discharged effectively, to the degree that it could be reported to the Legislature that a complete and effective job was being done under Chapter 138, with a staffing of less than forty-five positions.

Recognizing that there are thirteen existent positions related to oil and gas operations at Long Beach at the present time, this would necessitate for a minimum nucleus staff the establishment of thirty-two new positions, one of which, incidentally, would be an attorney assigned to the
Office of the Attorney General, but to be devoted primarily, and I am sure exclusively because of the amount of workload generated, to Long Beach problems.

GOV. ANDERSON: Now, this would be an absolute minimum for us to get by?

MR. HORTIG: This is correct.

GOV. ANDERSON: And this should not imply -- correct me if I am wrong -- that after the year is over, we think we can get along with this because next year with this operation we are probably going to have to move toward the figure given us by the people who advised us, the experts in this field.

MR. HORTIG: Two things will bring this about, and I so reported to the chairman of the Subcommittee. Next year we are patently going to be able to come in with a budget proposal based on actual workload, and next year that workload is going to be increased because the phase of development is going to have increased at Long Beach over what it is this year.

In other words, we are starting drilling the first well on June 11th and then in two years -- well, between two and three years we will be operating at a pace where one well will be completed every other day of the week.

GOV. ANDERSON: I think it ought to be clear when the next budget is presented next year that, even though at this time we probably could get by with the minimum of these
thirty-two additional people, a total of forty-five, that next year we are going to have more than this, approaching the figure of our advisers.

MR. HORTIG: This is correct. Of course, my own evaluation of the situation is that there are things that are not going to get done with this minimum staffing.

GOV. ANDERSON: The minimum you are talking about is the forty-five?

MR. HORTIG: Even with the forty-five, there are analyses and studies that, if it were possible to make them as a result of having adequate staffing, would result in additional recoveries and additional revenues to the State far exceeding the costs of the additional staffing -- being the difference between forty-five and eighty-five people, as was recommended in the original report.

GOV. ANDERSON: Now, the Assembly report was what, eight?

MR. HORTIG: Eight.

GOV. ANDERSON: What will be done as far as your staff is concerned or as far as we are concerned if, in reaching the difference between what the Senate adopted this morning

MR. HORTIG: I can't say the Senate adopted it. This was our report to the Senate Subcommittee; and with all my fingers crossed, I hope they adopt it. So to the degree that it is appropriate and there might be consultations with
your colleagues in the Senate, Governor Anderson, support for the proposed recommendation that at least thirty-two new positions be approved in the Senate version of the budget and then hopefully a meeting of the minds at the time of conference where the rest of the mechanics to be followed, which are obviously outside the realm where the State Lands Division functions -- this is now in the lap of the United States, in the lap of the Legislature and the Department of Finance.

GOV. ANDERSON: Any further comments? (No response)
Do you have anything further to bring up, Frank?
MR. HORTIG: No, Mr. Chairman.

GOV. ANDERSON: I have just one item I wanted to announce and this is in reference to what we have talked about earlier on the study of the policies on pricing of easements and permits.

As you are aware, I am interested quite a bit in this and I have asked Jerry Fadem, who I am sure Alan knows -- an attorney who specializes in condemnation and title litigation; four years, he served with the Army Corps of Engineers in their Real Estate Division as Administrative Assistant to the Chief of the Division, and later as Real Estate Claims Officer -- I have asked him to help as special consultant, without any compensation, in the study going on, on pricing of leases and easements. I have talked to Jerry Fadem and I have a lot of confidence in him. I know there are questions I would like to have asked and have probed into, and I think
it should be announced that he will be doing this. I think it is good when you can get a person of this stature to do a thing like that. I didn't want him to come into the office, people not knowing he should be there. I wanted you to know he is coming at my direction and he is doing a great service.

MR. HORTIG: Very good.

GOV. ANDERSON: The last item I have is the confirmation of date, time and place of the next Commission meeting — Monday, June 28, 1965, ten a.m., Los Angeles.

Motion to adjourn to that time and place?

MR. CRANSTON: Move.

MR. SHEEHAN: Second.

GOV. ANDERSON: Carried unanimously.

** ** **

ADJOURNED 11:35 A.M.
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing forty-five 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 May 27, 1965.

Dated: Los Angeles, California, June 9, 1965.

[Signature]

LOUISE H. LILlico.