TRANSCRIPT OF
MEETING
of

STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA

September 23, 1965
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

OFFICE OF THE ATTORNEY GENERAL:

Mr. Warren J. Abbott, Deputy Attorney General

APPEARANCES:

(In the order of their appearance)

Mr. L. A. Kimball, Assistant General Manager
San Francisco Bay Area Rapid Transit District

Mr. Wallace L. Kaapcke, General Counsel for
San Francisco Bay Area Rapid Transit District

Mr. Justin M. Jacobs, Jr. of McEnery and Jacobs,
representing Construction Aggregates, Inc.

Mr. John E. Porter, District Manager
Construction Aggregates Corporation

Mr. Willis A. Evans, Fisheries Supervisor, Region III
Department of Fish and Game

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

Mr. Joseph Terns, Kaiser Industries

****
<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON PAGE OF PAGE OF CALENDAR CALENDAR TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call to order</td>
<td>1</td>
</tr>
<tr>
<td>Confirmation of minutes of meetings May 27 and July 2/65</td>
<td>1</td>
</tr>
<tr>
<td>PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:</td>
<td>1</td>
</tr>
<tr>
<td>(a) Contra Costa County Water District</td>
<td>5 1 1</td>
</tr>
<tr>
<td>(b) Humboldt Bay Municipal Water District</td>
<td>9 2 1</td>
</tr>
<tr>
<td>(c) San Francisco Bay Area Rapid Transit District</td>
<td>20 3 1</td>
</tr>
<tr>
<td>MOTION ON Item (c) only</td>
<td>13</td>
</tr>
<tr>
<td>(d) State Dept. of Public Wks. Div. of Bay Toll Crossings</td>
<td>19 5 14</td>
</tr>
<tr>
<td>(e) State Dept. of Public Works, Division of Highways</td>
<td>22 6 14</td>
</tr>
<tr>
<td>(f) State Dept. of Public Works Division of Highways</td>
<td>21 7 14</td>
</tr>
<tr>
<td>(g) U.S. Dept. of Interior, Bureau of Reclamation</td>
<td>7 8 14</td>
</tr>
<tr>
<td>PERMITS, EASEMENTS, LEASES, and RIGHTS-OF-WAY, FEE:</td>
<td>15</td>
</tr>
<tr>
<td>(a) Crown Zellerbach Corp.</td>
<td>11 9 15</td>
</tr>
<tr>
<td>(b) Decon Corporation</td>
<td>10 10 15</td>
</tr>
<tr>
<td>(c) McKinney Shores Property Owners Association</td>
<td>4 11 15</td>
</tr>
<tr>
<td>(d) Harvey R. Willis</td>
<td>6 12 15</td>
</tr>
<tr>
<td>(e) Standard Oil Co. of Calif.</td>
<td>1 13 15</td>
</tr>
<tr>
<td>continued</td>
<td></td>
</tr>
</tbody>
</table>

OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON PAGE OF</th>
<th>PAGE OF PAGE OF CALANDER</th>
<th>TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 PERMITS, EASEMENTS, LEASES,-rights-of-way, fees continued</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f) Richfield Oil Corporation</td>
<td>3</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>(g) Mobil Oil</td>
<td>13</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>(h) Richfield Oil Corporation</td>
<td>18</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>(i) Texaco Inc.</td>
<td>17</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>(j) Standard Oil Co. of Calif. and Shell Oil Co.</td>
<td>15</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>(k) Union Oil Co. of Calif.</td>
<td>12</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>5 LAND SALES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) William J. Swallor, Jr.</td>
<td>8</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>6 OIL AND GAS LEASES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) W.O. 5584, San Joaquin County</td>
<td>14</td>
<td>23</td>
<td>18</td>
</tr>
<tr>
<td>(b) Parcel 27 Ventura County</td>
<td>24</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>7 CONFIRMATION TRANSACTIONS OF EXECUTIVE OFFICER:</td>
<td>16</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Humble Oil &amp; Refining</td>
<td></td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Pauley Petroleum</td>
<td></td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Richfield Oil Corporation</td>
<td></td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Phillips Petroleum</td>
<td></td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Shell Oil Co.</td>
<td></td>
<td>30,31,32</td>
<td></td>
</tr>
<tr>
<td>Standard Oil of Calif. West. Op.</td>
<td></td>
<td>28,29</td>
<td></td>
</tr>
<tr>
<td>Texaco Inc.</td>
<td></td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>8 ELECTION OF CHAIRMAN</td>
<td>2</td>
<td>34</td>
<td>19</td>
</tr>
<tr>
<td>9 INFORMATIVE - Litigation</td>
<td>23</td>
<td>35</td>
<td>19</td>
</tr>
<tr>
<td>10 NEXT MEETING</td>
<td></td>
<td></td>
<td>20</td>
</tr>
</tbody>
</table>

continued
<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON</th>
<th>PAGE OF</th>
<th>PAGE OF</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPPLEMENTAL CALENDAR</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 CITY OF LONG BEACH AND THUMS PROPOSAL re oil-well tubular products</td>
<td>25</td>
<td>37</td>
<td>20</td>
</tr>
<tr>
<td>12 Agreement with Dept. of Interior superseding Operations Line Agreement of 1962</td>
<td>26</td>
<td>43</td>
<td>33</td>
</tr>
</tbody>
</table>

* * *
<table>
<thead>
<tr>
<th>ITEM ON PAGE OF</th>
<th>PAGE OF</th>
<th>PAGE OF</th>
<th>ITEM ON PAGE OF</th>
<th>PAGE OF</th>
</tr>
</thead>
<tbody>
<tr>
<td>CALENDAR</td>
<td>CALENDAR</td>
<td>TRANSCRIPT</td>
<td>CALENDAR</td>
<td>CALENDAR</td>
</tr>
<tr>
<td>1</td>
<td>13</td>
<td>15</td>
<td>21</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>34</td>
<td>19</td>
<td>22</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>15</td>
<td>16</td>
<td>23</td>
<td>35</td>
</tr>
<tr>
<td>4</td>
<td>11</td>
<td>15</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>1</td>
<td>25*</td>
<td>37</td>
</tr>
<tr>
<td>6</td>
<td>12</td>
<td>15</td>
<td>26*</td>
<td>43</td>
</tr>
</tbody>
</table>

*SUPPLEMENTAL CALENDAR

NEXT MEETING: 20
GOVERNOR ANDERSON: The meeting of the State Lands Commission will come to order.

First item is the motion to confirm the minutes of meetings of May 27 and July 2nd.

MR. CRANSTON: So move.

MR. CHAMPION: Second.

GOV. ANDERSON: Carried unanimously.

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

Applicant (a) is Contra Costa County Water District -- 49-year easement across 10-foot-wide strip of tide and submerged lands, Pacheco Creek, Contra Costa County (for operation and maintenance of a water pipeline).

Applicant (b) is Humboldt Bay Municipal Water District -- 49-year easement, 0.38 acre tide and submerged lands of Mad River Slough, Humboldt County (for construction, operation, and maintenance of a water transmission pipe and pipeline bridge).

Applicant (c) is San Francisco Bay Area Rapid Transit District -- Permit to dredge one million cubic yards from the Presidio Shoal-Alcatraz Island area of P.R.C.s 709.1 and 2036.1; two million cubic yards from the Angel Island area of P.R.C. 709.1; and one million cubic yards from the
Southampton Shoal area of P.R.C. 2498.1; and to dredge a
four million cubic yard trench for portion of the Trans-Bay
Tube lying within the City and County of San Francisco.

MR. HORTIG: Mr. Chairman, since the preparation of
this agenda item for the Commission, a formal protest has
been filed with the Commission to the item as here drafted
by one of the Lands Commission's lessees for extraction of
sand in San Francisco Bay, Construction Aggregates Company.

Suggestions for modification have been received by
letter from the San Francisco Port Authority; and the Depart-
ment of Fish and Game has reported a desire to comment on
and request an opportunity to review this application.

The representatives of the San Francisco Bay Area
Rapid Transit District, who have been in discussions as
recently as yesterday both with the San Francisco Port Auth-
ority and Construction Aggregates, Inc., are here. A repre-
sentative of the Construction Aggregates Company is also
here, as well as Mr. Willis A. Evans, Fisheries Management
Supervisor, who wishes to comment on behalf of the Department
of Fish and Game.

Therefore, action on the staff recommendation at
the present moment should be withheld until a determination
is made by the Commission that in view of the presentations
either the matter should be taken under advisement or that
the form of permit to be granted should be modified.

GOV. ANDERSON: Do you wish this to be withdrawn
and referred to staff?

MR. HORTIG: This depends entirely on the presentations that will be made by the Bay Area Rapid Transit District on how close they are to a solution for a basis on which the Lands Commission could, without further study at this time, grant a permit.

GOV. ANDERSON: Do you recommend hearing from them at this time?

MR. HORTIG: Yes, sir; briefly.

GOV. ANDERSON: Will you gentlemen step forward and identify yourselves for the record?

MR. KIMBALL: Mr. Chairman, I am L. A. Kimball, Assistant General Manager of the District, and this is Mr. Wallace Kaapcke, our general counsel. If it please the Commission, Mr. Kaapcke will outline what steps we have taken.

MR. KAAPCKE: I am sure in just a moment or two I can put this in a position where there will be no substantial conflict here that need concern you. First, I will speak of discussions we had yesterday with Construction Aggregates representatives.

Let me say to the Commission that the legislation which provides for the construction of the tube provides that it is to be and it is being financed by the State, and basically provides that the tube is to be constructed by the Department of Public Works.

MR. CHAMPION: Excuse me. I understand you to say
this is to be financed by the State. The State has many mansions and separate funds.

MR. KAAPCKE: As to the financing, it is the California Toll Bridge Authority who is to do that and the Department of Public Works is to construct the tube. Another part of the legislation provides that the authorities may arrange for responsibility for construction and under that arrangement, it has been arranged that the District takes care of the construction of the tube against that contract.

Our discussions with the Construction Aggregates representatives yesterday afternoon disclosed that under their leases they do not consider that the grant to us would impinge upon their rights. I remind you their lease is expressed to be "non-exclusive" and in view of the public character and the particular framework under which we are proceeding, I understand the term "non-exclusive" allows this grant to us without conflict to them.

I understand it is their further purpose to suggest that the Commission clarify and eliminate that term "non-exclusive" in its application to certain other possible applicants, and as to that I can say that we don't find our interests conflict in any way with that request.

I believe that I have fairly stated the accord we have reached with them yesterday. In respect to the San Francisco Port Authority's representation, I think Mr. Kimball can comment on that.
MR. KIMBALL: Mr. Chairman, members of the Commission, the area delineated -- or areas delineated -- in the request for the permit are four in nature. Two of the areas referred to in the correspondence you have received from the San Francisco Port Authority's chief engineer are areas which we are told by our engineers the District could forego.

Therefore, if it were the Commission's desire to restrict us to the area on Southampton Shoals and Angel Island and Port Knox, this would be in accordance with our needs, and is satisfactory.

Perhaps to further clarify as regards the Fish and Game Commission, I have a copy of correspondence from Mr. H. M. Fisher of the Resources Agency to the District Engineer of the Corps of Engineers, on the similar application made -- which you may understand would be required to be made to the Corps of Engineers for this activity -- and covering many other areas including the Department of Fish and Game, in which the comment is: "Having received no other adverse comments from the above agency, the State of California interposes no objection."

The comment is to the effect that the Water Pollution Board advises that due to possible adverse effects on fishery resources, the quality of material, the time involved, the Board will have a continued interest -- and we will indicate to them our willingness to advise them at all times of our schedule, so they will be fully informed; but they
interpose no objection to the granting of the permit, per se, so I think this should be in your records.

One last thing -- the problem I am going to mention is ours rather than yours -- our time table is quite urgent because our present expectation is to advertise for bids a week from today and with bid opening on the 2nd of December. We would be very appreciative if the things we have just said could induce you gentlemen to act upon our request this morning.

MR. CHAMPION: How critical is the bidding schedule to this determination?

MR. KIMBALL: I think it is a critical one, Mr. Champion, having in mind that before we can call for bids on a concrete job, a specific and well-defined job, and before the contractor is in a position to assess the amount of their bids, they have got to know the availability of these resources and that kind of thing. It could have a very important effect because if this sand is not available to us and if this sand had to be hauled from remote areas, the effect on the tube job, I think, would be astronomical.

MR. CHAMPION: I understand that. I assume the problem is not whether you are going to get this, but under what circumstances.

MR. KIMBALL: Yes. As far as it would appear to me, there is no indication that there would be any limitation that would have any bearing. Some others may have something
to say that may be different; but so far we have no conflict.
We can accommodate the Port Authority; and in respect to the
Resources Agency, Hugo Fisher's organization, we are deter-
mined to keep them fully advised and give them an opportunity
to participate in the development of the work as it goes
along.

GOV. ANDERSON: Mr. Hortig, what comment do you
have on this?

MR. HORTIG: Under the circumstances, it would ap-
pear that it would be well for the Commission to hear from
the representative of Construction Aggregates and the Depart-
ment of Fish and Game; and if there is a consensus, then
there is a basis for issuing a modified permit here today.

MR. CHAMPION: Before you do that, I am a little
curious about the fund situation here. I am not raising an
objection now, but I want to be clear as to the basis of
this decision. We are making no charge at all for this?

MR. HORTIG: This is correct -- because the net
result is that sand is not being removed from San Francisco
Bay; it is being re-arranged and remaining in the Bay.

MR. CHAMPION: So there is no change in that
resource and no special benefit involved, and this would be
our normal practice. The only reason I am raising this --
You say the State is building it and the State isn't; so you
would have the General Fund involved on one side and the
Toll Bridge funds on the other. I wanted to make sure we
weren't making a gift from one to the other.

GOV. ANDERSON: Is there a spokesman here for
Construction Aggregates?

MR. JACOBS: My name is Justin Jacobs. I am with
the firm of McEnerney and Jacobs in San Francisco. This is
Mr. Porter, with Construction Aggregates.

I think we have two purposes to be here: One is
for me briefly, if I may, to outline the position of Con-
struction Aggregates under its present lease with the State;
and then for Mr. Porter to outline to you Construction
Aggregates' position with respect to the application for
specific dredging permits. I'll do this very briefly, if I
may.

There is a present lease dated 1951, on the first
page of which it refers to a "non-exclusive lease" of certain
shoal property in San Francisco Bay to Construction Aggregates.
Now, the lease is a State form and it was, in effect, modi-
fied by interlineations to become a profit lease; so there
are ambiguities in this document.

The document states that there will be a "non-
exclusive" lease. We interpret this as being non-exclusive
in right of possession to the area -- that there are, of
course, reserved commerce rights, navigation rights, and
fishery rights; and this is consistent with the rights which
the State has reserved to itself by legislation. And, of
course, a profit normally involves the non-exclusive right
to enter and possess, but as to the profit position -- the taking of sand from the area -- we interpret the lease, the document, is meaning this is an exclusive right with Construction Aggregates for these reasons:

The lease, in paragraph 12, states that the State reserves all natural resources "except the minerals enumerated hereinbefore for extraction" -- which is sand; and the lease goes on in paragraph 6 to state, in effect, that the State must not grant rights to others which are inconsistent or incompatible with Construction Aggregates' rights.

Now, there is an attachment to our memorandum on file which refers to previous minutes of this Commission. It is Appendix F, which refers to minutes of this Commission of July 25, 1963, wherein the State Lands Commission granted permission to the Port Authority to dredge this area, subject to acquiring a mutual agreement between State Lands Commission, the Construction Aggregates people, and the Port Authority.

Now, we look upon this as a recognition by the State Lands Commission of Construction Aggregates' exclusive profit rights to the sand in this area.

Secondly, even assuming for the purpose of argument that this document was interpreted as a non-exclusive profit, we feel that any granting of dredging rights or leasehold rights to this sand by the Commission would be inconsistent and incompatible with Construction Aggregates' rights,
exclusive rights, under paragraph 12 of the document. I am informed that there is a potential economic exhaustion of these sands and that dredging without compensation to Construction Aggregates would possibly render the lease and deposits worthless, even though under the terms of the document Construction Aggregates must pay a minimum annual amount. We look upon this minimum annual amount as implying that the document must not be rendered worthless and, of course, this is a contract; and we would interpret it as a breach by the State -- who is one party, the lessor, to this contract -- if by this action it made it impossible for Construction Aggregates to enjoy the benefits of the lease or document.

MR. HORTIG: Mr. Chairman, if I might interrupt, at least at this moment it would appear to the staff that we do not have a clear-cut consensus; that extensive analysis of these presentations being made on behalf of Construction Aggregates certainly should be made by the technical and legal staff before this matter is considered for action by the Commission.

In view of the extreme time problem, which has already been reported by the Bay Area Rapid Transit District, I would suggest that the Commission consider taking this matter under advisement; that the staff and all the other participants work diligently toward a clear-cut consensus solution that can be recommended to the Lands Commission --
possibly for consideration even at a special meeting, which would be feasible during the time that the special legislative session is on, and which could be at an earlier date than the next regular meeting of the Lands Commission, if such a resolution of the problem can be achieved.

MR. PORTER: John E. Porter, District Manager, Construction Aggregates Corporation.

For no other purpose than we have to cross that bridge after five o'clock, we will not object to this. Let's not dirty the water by any future negotiations. In this particular instance, Construction Aggregates will waive any interest or any sand necessary for the tube, but we would, at the leisure of the staff, like to sit down and clarify just exactly what goes on in the interpretation of the lease.

MR. CHAMPION: What you are saying, really -- you think in this case, if you wanted to, you could potentially have a claim here, but you are willing to waive that right to a claim?

MR. PORTER: Yes, whatever right we have in this particular instance -- because we are fully aware of the necessity of this tube.

MR. JACOBS: Just so that it does not prejudice any further interpretation of the document.

MR. CHAMPION: Does that change your view?

MR. HORTIG: Yes, with that interpretation and the recognition that the Bay Area Rapid Transit District
will be restricted to shoal areas as indicated satisfactory by the San Francisco Port Authority -- with that, the staff recommendation that the permit be issued is acceptable at this time.

MR. CRANSTON: Is that acceptable?

MESSRS. JACOBS, PORTER, KIMBALL and KAAPCKE: Yes.

MR. JACOBS: May we ask that you go ahead and do your legal analysis, so we have some form of definition from the Commission's legal staff as to what you feel the interpretation of this document is?

MR. HORTIG: Yes, as it applies to future applications and future authorizations that may be granted for operations, we will.

We haven't heard from Fish and Game, Mr. Evans.

MR. EVANS: Mr. Chairman and members of the Commission, my name is Willis Evans. I am a Fisheries Supervisor for Region III in San Francisco, with the Department of Fish and Game.

I like the comment of the gentleman from Construction Aggregates, when he says "Let's not dirty the water" -- even though he was using it in a different form of terminology.

Very briefly, our problem seems to be one primarily of lack of information. In looking at your item 3(c), all of our communications to date relative to your proposal have been on the matter of the four million cubic yards of material
for the Trans-Bay Tube; and these other items which you have on the agenda -- our primary interest and concern is merely to find more information to not so much where these materials are going to be removed from, but where they are going to be deposited. That happens to be our major concern.

There are two factors with which we are primarily concerned: One is the matter of the depositing of spoil materials in the Bay in those shoal areas affected by the tidal prism. This has some very direct effects on our fish and wildlife resources and we, therefore, want to view very carefully disposal in those areas.

The second factor that has been alluded to already is this matter of possible turbidity of the water during the operations. Relative to this last factor, I agree with the gentleman who spoke previously. We feel this matter of turbidity can be worked on in an amiable manner, as they proceed with their schedule, by merely examining their operation and disposal areas periodically.

However, on this matter of disposal of four million cubic yards, as indicated in the agenda item, we would appreciate some information as to where those materials are going to be deposited. We have no data to date on that.

MR. KIMBALL: Mr. Chairman, perhaps I can help. The disposal area is the area of the trench of the tube. The material is to be used for back fill over the tube after it is in place; and I believe the gentleman does have a
description of the tube. So it is simply to be used as a backfill, to fill the area in essentially the way it was before. That's the only area.

MR. EVANS: Thank you. We have commented on the previous deposition of the four million cubic yards, so if it is in the same area, we would have no objection to the second four million yards; and rest with the major comment by Mr. Fisher that we will want to examine the operational schedules and work closely with you during the project period.

MR. CRANSTON: Subject to that, I move approval, subject also to the understandings that were reached in our earlier discussion.

MR. ABBOTT: Mr. Chairman, may I suggest approval also be subject to a written waiver from Construction Aggregates?

MR. CRANSTON: The motion is amended to that effect.

MR. CHAMPION: I'll second in accordance with that.

GOV. ANDERSON: Is any modification necessary?

MR. HORTIG: It will be modified in accordance with the motions and opinions expressed in the reporter's transcript.

GOV. ANDERSON: You feel you have everything sufficient, without rewriting it?

MR. HORTIG: Yes, sir.
GOV. ANDERSON: No further discussion, carried unanimously.

Applicant (d) State Department of Public Works, Division of Bay Toll Crossings -- Permit to anchor drill barges as necessary to perform soil est borings, 3,673 acres tide and submerged lands, San Francisco Bay, San Mateo County (preliminary to bridge construction).

Applicant (e) State Department of Public Works, Division of Highways -- Temporary right-of-way permit (for highway construction purposes), 0.17 acre submerged land in Stanislaus River, Stanislaus and San Joaquin counties (to terminate on date notice of completion is filed on Bridge 10-Stan, SJ-99-24.5).

Applicant (f) State Department of Public Works, Division of Highways -- Authorize Executive Officer to execute agreement for reservation for a two-span bridge right-of-way over 0.9-acre parcel of sovereign lands of the Stanislaus River, Stanislaus and San Joaquin counties.

Applicant (g) U. S. Department of the Interior, Bureau of Reclamation -- Amend legal description of Lease P.R.C. 3335.9, abandoned bed of Colorado River, San Bernardino County, to reflect a realignment of the proposed channel.

GOV. ANDERSON: A motion will be in order to take care of all those items, except item (c).

MR. CRANSTON: So move.
MR. CHAMPION: Second.

GOV. ANDERSON: Carried unanimously.

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


Applicant (b) is Decon Corporation -- 15-year lease, 0.610 acre tide and submerged lands in Sunset Bay, Orange County (for construction and maintenance of eleven small-boat slips for use of condominium owners). Annual rental, $2,197.84.

Applicant (c) McKinney Shores Property Owners Association -- Approve assignment from McKinney Shores to McKinney Shores Property Owners Association, and to McKinney Shores Water Service as its interest may appear in Parcel 1 of Lease P.R.C. 2816.1, covering two parcels of sovereign land in Lake Tahoe, Placer County.

Applicant (d) Harvey B. Willis -- Five-year recreational minor-structure permit, 0.041 acre tide and submerged land in Piper Slough, Contra Costa County (for erection and maintenance of a floating boathouse and walkway). Total fee, $25.

Applicant (e) Standard Oil Company of California --
15-year extension of Lease P.R.C. 2785.1, tide and submerged lands in Santa Monica Bay, Los Angeles County, with description of leased area to be amended to cover 81.454 acres instead of 81.16 acres. Annual rental to continue at unadjusted rate of $8,680.29 until a firm rental is established by mutual agreement, at which time retroactive adjustment is to be made to September 14, 1961.

Applicant (f) Richfield Oil Corporation -- Deferment of drilling requirements under Oil & Gas Lease P.R.C. 2783.1, Santa Barbara County, through April 26, 1966. (Production operating problems encountered have made it impossible to secure a production history to date which would give an evaluation of the economics of drilling additional wells.)

Applicant (g) Richfield Oil Corporation, et al -- Deferment of drilling requirements under Oil & Gas Lease P.R.C. 2726.1, Santa Barbara County, through May 3, 1966. (Additional time needed to study latest subsurface data).

MR. HORTIG: Mr. Chairman, on item (g), it should read Mobil Oil Company rather than Richfield Oil Corporation. Richfield is one of the joint lessees, but Mobil Oil is the current operator on the lease.

GOV. ANDERSON: Applicant (g) is corrected to Mobil Oil Company.

Applicant (h) Richfield Oil Corporation -- Deferment of drilling requirements under Oil & Gas Leases P.R.C.s
308.1 and 309.1, Santa Barbara County, through May 17, 1966. (Remedial work being conducted and additional geological information being correlated and studied).

Applicant (i) Texaco Inc. -- Deferment of drilling requirements under Oil & Gas Lease P.R.C. 2725.1, Santa Barbara County, through April 11, 1966 (in order to conduct a high resolution seismic survey prior to additional exploratory drilling.)

Applicant (j) Standard Oil Company of California and Shell Oil Company -- Deferment of drilling requirements under Oil & Gas Lease P.R.C. 2198.1, Santa Barbara County, through April 13, 1966 (to review, analyze, and correlate well, geological, and geophysical data).

Applicant (k) Union Oil Company of California -- Deferment of drilling requirements under Oil & Gas Lease P.R.C. 2879.1, Santa Barbara County, through April 11, 1966 (to allow time to negotiate for additional upland drill sites and to make "feasibility studies" of most economical means of transporting oil and gas to market).

MR. CRANSTON: Move approval.

MR. CHAMPION: Second.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Item 5 -- Land Sales. Cleared with all State agencies having a land-acquisition program.

(a) Authorize sale to William J. Swallow, Jr., the
highest qualified bidder, of 640 acres vacant State School
Land, San Bernardino County, at $31,600. (Appraised value,
$30,320).

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Moved and seconded, carried
unanimously.

Item 6 -- Oil and Gas Leases:

(a) is to authorize Executive Officer to offer for
oil and gas lease 970 acres tide and submerged lands and
132.71 acres of lands in which minerals have been reserved
to the State, and 75.71 acres of land in which the State owns
both the surface and mineral rights, all in San Joaquin
County, designated as W.O. 5584.

(b) is to authorize Executive Officer to offer
for oil and gas lease approximately 5,362 acres of tide and
submerged lands in Ventura County, lying south of the Rincon
Oil Field and west of Pitas Point, designated as W.O. 5858
(Parcel 27).

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.

GOV. ANDERSON: Carried unanimously.

Item 7 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.

Item 8 is election of Chairman, State Lands Commission.

MR. CHAMPION: I offer a nomination of Controller Cranston.

GOV. ANDERSON: I'll second the motion.

MR. CHAMPION: And I would move, because of some special circumstances, that upon election he immediately assume the Chair.

GOV. ANDERSON: Immediately following the meeting?

MR. CHAMPION: Yes, immediately following the meeting -- the circumstances being that he will serve on the Bay Area Commission in the next day or two.

MR. HORTIG: Two o'clock this afternoon.

GOV. ANDERSON: All in favor signify by saying "Aye."

GOV. ANDERSON and MR. CHAMPION: Aye.

MR. CRANSTON: I accept, provided you release me in time to get to San Francisco. Thank you very much.

Item 9 -- Informative only: (a) Report on status of major litigation. Anything, Frank?

MR. HORTIG: For the record, no major developments in the litigation being processed and handled and followed by the Office of the Attorney General on behalf of the State Lands Commission. There have been no substantial changes
since the last report of the Commission.

Item 10 -- Reconfirmation of date, time and place of next Commission meeting -- Thursday, October 21, 1965, at 10:00 a.m. in Los Angeles.

MR. CRANSTON: So move.

MR. CHAMPION: Since there is some likelihood that the special session still will be going on, why shouldn't we change that to Sacramento?

MR. CRANSTON: I am agreeable.

GOV. ANDERSON: It has been changed, then, to Sacramento -- next meeting on October 21, 1965 at ten o'clock in Sacramento. No objections, so ordered.

Supplemental calendar items:

Item 11 -- City of Long Beach and THUMS Long Beach Company proposal for restrictive purchases of oil-well tubular products.

Mr. Hortig, do you wish to take over here?

MR. HORTIG: Yes, Mr. Chairman. The item before the Commission for consideration, of course, is pursuant to the request of the City of Long Beach and the THUMS Long Beach Company for consideration of approval of a restricted bidding procedure to effect purchases of oil country tubular products to be used in the development of the Long Beach Unit of the Wilmington Oil Field.

In view of numerous requests for opportunity to present data with respect to this question, the Lands
Commission held a public hearing on this matter on August 26, 1965 in Los Angeles. The propositions by both the proponents and opponents are summarized on pages 37 and 38 of your agenda.

Following this public hearing, written representations bearing on the proposal to restrict bidding were presented by a number of organizations, which are again reported on pages 38, 39, and 40 of your agenda -- so that the conclusions and recommendations of the staff being presented here today are based on the total testimony presented at the public hearing and on all information subsequently submitted or developed, as has already been outlined.

The conclusions and recommendations provide -- I will read them rapidly:

(1) The development of the Long Beach tidelands is, in essence, a commercial enterprise in which the State of California has a predominant, although not exclusive, economic interest rather than a strictly governmental activity which would dictate compliance with the California Buy American Act.

(2) In this instance, there is general agreement among both the proponents and opponents of the THUMS proposal that there could be a direct saving to the State of California of between six and ten million dollars if bidding is open and competitive.

(3) Although much has been made of the adverse effect that a decision to insist upon open bidding would have upon
the nation's economy, particularly with respect to its balance of payments, the facts submitted do not and did not support this argument. The Honorable John T. Connor, Secretary of Commerce, stated in a telegram submitted in evidence to the Commission that "We have excluded this (curtailment of imports) as a technique to improve our balance of payments since it would be inconsistent with our policies for the expansion and liberalization of world trade. I cannot comment on the specific cases mentioned in your letter of August 19 but we expect choices between domestic and foreign goods to be based solely on commercial considerations."

Additionally, a letter from the Acting Assistant Secretary of Commerce for Economic Affairs addressed to the Commission confirms this attitude on the part of the Department of Commerce.

It is recognized as a result of staff discussions with the Department of Commerce that this is the staff opinion of one agency of the federal government and might not reflect other federal policy considerations. However, public knowledge of the proposed purchase and the lack of any other communication from the federal government on the matter would cause the staff to concur with the Department of Commerce that this is primarily a California concern.

MR. CHAMPION: There was one other communication to the Governor from the Under Secretary of State, I think Mr. Mann, which in substance says the same -- which I think
should be part of the record.

MR. HORTIG: We will add that to the record upon a receipt of a copy, Mr. Champion.

(4) Both the federal government and the State of California have, in recent years, engaged in aggressive promotional efforts to increase world trade. During 1963 goods valued at $450 million dollars were shipped to Japan through the California custom districts; and principal products of at least partial California origin included cotton, $70.5 million; meat and animal products, $42 million; iron ore and concentrate and iron and steel scrap, $50.1 million; petroleum products, $42 million; and other agricultural products, $35.6 million.

Imports from Japan through the California customs districts alone in 1963 totaled $463 million. Total U. S. exports to Japan in 1964 amounted to $1,893,704,630, while imports from Japan totaled $1,763,415,674, thus the over-all balance of trade with Japan is favorable to the United States. This data was obtained by the staff from the World Trade Center Authority.

It is apparent, therefore, that foreign trade, and particularly trade with Japan, is of mutual benefit and that it results in the creation of jobs, income, and other revenues. An unfavorable attitude toward such trade by an agency of the State Government of California might well have harmful and lasting effects on many sectors of the California and
national economies dependent upon the inter-action of trade
with other nations.

(5) If, at any future time, the Commission is in-
formed by responsible officials of the federal government
that the requirement for open, competitive bidding is ad-
versely affecting the nation's economy, the Commission would
be free to review its findings and revise its procedures,
of course.

(6) Mr. Sheehan, representing the United Steel-
workers of America, made the point that failure to place the
order for oil well casing with domestic producers would re-
sult in a loss of 1,600,000 man hours of employment by those
engaged directly in steel production. This statement, ana-
lyzed in view of the six-year interval estimated to be the
period of major development in the field, shows that it would
mean employment for only 135 steelworkers during this period.
For this reason, this was not considered to be a major argu-
ment and hence was not included among the listing of the
arguments of the proponents which you have before you.

(7) Testimony presented at the hearing indicated
that open bidding has been the practice by THUMS in the pur-
chase of line pipe and welded conductor casing, both of
which are manufactured by California firms, and that Japanese
firms have in fact obtained orders; whereas THUMS now proposes
to limit bidding on the seamless steel tubing, which is not
produced in the state, to preclude bidding by foreign firms.
This is an apparent inconsistency which, in the opinion of the staff, tends to invalidate many other arguments put forth by the proponents of the limited bidding procedure.

(8) The Staff is informed that there are in the free world only fourteen major producers of the type of oil well tubular goods under consideration. Seven of these concerns are located in the United States; two are in Japan, and the remainder are in the countries of Western Europe. All of these firms manufacture according to specifications established by the American Petroleum Institute and are authorized to use the official monogram of the Institute. For this reason, there seems to be no reason at this time to question the quality of tubular goods produced by any of these manufacturers.

(9) A procedure for bidding on an increment or increments of requirements for a total of not more than those required for the anticipated annual development program appears to be most practical for all concerned for the following reasons: (a) Contracts for casing and tubing would tie in with the budgeting for field development and therefore would permit orders to be placed on the basis of realistic predictions; (b) In the event that technological advancements result in improvements in the quality of the tubular goods required, there would be no long-term commitment to purchase pipe of a particular, and possibly inferior, specification; (c) Any long-term contract would necessarily have to contain
escalation provisions which could not be predicted with precision.

Therefore, it is recommended that oil well casing, tubing, and line pipe requirements for the Long Beach Unit Development Program be purchased under a procedure specifying:

A. Open competitive bid by all suppliers.

B. Award of bid to lowest responsible bidder.

C. Bids to be received on an increment or increments of requirements for a total of not more than those required for the anticipated annual development program.

MR. CHAMPION: Mr. Chairman, while I subscribe to most of the staff report, it seems to me that, looking at the immediate situation, we should proceed with this first budget. I think there are about fifty wells involved, something of this kind.

On the basis of the staff recommendation, the language here that concerns me is: It says "It is recommended that oil well casing, tubing, and line pipe requirements for the Long Beach Unit Development Program be purchased under a procedure specifying open competitive bidding and the awarding of bid." It may be, for delivery reasons or other reasons within the economic policy of California -- of jobs or developments in industry or other reasons -- that we may not wish to have this to be a permanent policy. I would rather see us proceed with the recommendation of the staff on this matter at this time with this first increment, but that we leave the
policy of the Commission open as to what further direction we may wish to give them at a further time, rather than establish a firm policy for the whole six-year period.

I see no advantage to us in having that kind of a fixed policy. For one thing, I think it may discourage the most advantageous bidding; and we may learn several things in the bidding on the first increment about what the actual differential is as compared to the differential we now anticipate. I simply think that the policies are fine for that first increment, but should not be interpreted to go to further purchases.

GOV. ANDERSON: I agree. You are talking about item (b)? You are talking about annual bidding. I think instead of saying "annual bidding" it should be done for a limited time or limited amount.

MR. HORTIG: I am sorry, Mr. Chairman. The recommendation is actually for bidding on an increment or increments of requirements totaling not more than the annual anticipated development.

MR. CHAMPION: My complaint was directed toward (b), which would seem to set a permanent policy of "open competitive bid by all suppliers."

MR. HORTIG: This is not evident from the recommendation, Mr. Chairman, however a reference back to item (5) states clearly that under circumstances that would justify it, the Commission on information would be free to review its
findings and, as I already reported, revise its procedures and program. It was not intended that this be permanent and the Commission is certainly not foreclosed from amendment at any future meeting.

MR. CHAMPION: I specifically would like to have the question raised again, so there isn't any misunderstanding by THUMS or by the Long Beach people that the decision being made is for this increment only; and we would like to have the question raised for review after we have had the experience in that first increment.

MR. HORTIG: I concur fully. This is only the first step and there is no precedent being set by what we do in this first period.

MR. CRANSTON: I'd like to ask this: Is the number of wells involved in this first increment approximately fifty?

MR. HORTIG: Now under study would be a total of ninety-two.

MR. ABBOTT: Plus forty the first year.

MR. HORTIG: Those are already provided for.

MR. LINGLE: One hundred nineteen next year. Forty are already drilled.

MR. CHAMPION: Forty of the one hundred nineteen?

MR. LINGLE: Forty for the balance of this year; one hundred nineteen next year.

MR. CHAMPION: For the next budget year?

MR. LINGLE: Right.
MR. CRANSTON: What would be included in what we are doing now?

MR. HORTIG: This has not been determined. We would have to evaluate with the City of Long Beach and the THUMS group what size increment would insure the greatest flexibility and still would not result in an increased price because of lower unit or volume delivery.

MR. CRANSTON: In what range would this be?

MR. HORTIG: An increment of possibly forty of the one hundred nineteen would be in the first increment.

MR. CRANSTON: You are taking into account the matter of it being large enough so there would not be an increase in the price?

MR. HORTIG: This is one of the essential elements to go into the evaluation.

MR. CHAMPION: And the staff will attempt to work out what the first increment would be?

MR. HORTIG: This is correct, and report back to the Commission.

MR. CRANSTON: With those understandings I move the staff recommendation be approved.

MR. CHAMPION: I second your motion including the correction I have made.

GOV. ANDERSON: Is there anything here about leaving it solely to the staff about the forty wells or one nineteen? My information was that it would be not to exceed
fifty and this would be a large enough number to do the purchasing on an economic basis, and we would still have an idea of what the bidding might be. I would kind of hate to see it up to one hundred nineteen. I'd rather see it limited to fifty.

MR. HORTIG: On the basis of evaluation of what that number should be, we will report this back to the Commission. We would certainly report any reasons for a need, or apparent need, to go to the one hundred nineteen wells before this action was taken.

MR. CHAMPION: I think with that understanding this is all right.

GOV. ANDERSON: I'd also like to have a little understanding of this item 7 of your report, where you are commenting upon the inconsistency. I understand most of the people's positions that were there trying to sell domestically-made or foreign-made; but I am a little confused on why THUMS recommended to us their procedure and then, according to your report, purchased tubing that is manufactured in California, which is really domestic, from a Japanese concern; and then I just read in the papers given to me they are also awarding another one to a German steel manufacturer.

I was just wondering why they would have the policy of purchasing their steel, some of which or most of which is made in California, from foreign companies and then recommend we not do this here. I never have understood this.
MR. HORTIG: Frankly, the staff didn't either except as a custom which has grown generally, it has been the majority practice -- although this again has exceptions -- of companies to purchase the heavier steel items, particularly the oil well casing and tubing which are the larger dollar volume, and larger steel volume products in the country where the operation is being conducted if this type of pipe is being manufactured in this particular country.

GOV. ANDERSON: How would this apply to the tubing you refer to, where the contract went to the Japanese firm; and the one I am referring to, where it went to a German firm?

MR. HORTIG: It was line pipe and conductor casing, which is not a large volume item.

GOV. ANDERSON: But is made here?

MR. HORTIG: They are made here.

GOV. ANDERSON: Completely contrary to the policy you say they normally follow.

MR. HORTIG: No; the majority policy I said was with respect to the oil well casing and tubing, which goes down into the ground to produce the oil, but different from the line pipe and conductor casing; but even there, while this is the majority practice, there have been purchases of these by the major companies in the United States from foreign sources.

GOV. ANDERSON: This article I have was on sheet steel and this is the one on German steel purchased by the
THUMS Company.

MR. HORTIG: Patently, the commercial considerations and the inter-company relationships make this determination in what they see to be their best economic advantage.

MR. CHAMPION: Was all of this line pipe done on open competitive bidding, or were some of these purchases made on a negotiation basis?

MR. LINGLE: Everything has been. The only thing we ever suggested was on the tubular goods.

MR. CHAMPION: Everything has been strictly on a competitive basis?

MR. LINGLE: Except on tubular.

GOV. ANDERSON: Why did you recommend this?

MR. LINGLE: We followed what these five big companies said -- that all this tubular pipe, which is so critical to them, their company bought it domestic.

GOV. ANDERSON: In addition to the line pipe, isn't sheet made here?

MR. TERNS: This is a specialized steel not made in California. It is not manufactured in California.

GOV. ANDERSON: I thought these things ought to be brought out, because I think we have been asked to do one thing and they have done another.

Any further discussion?

MR. CRANSTON: I am very glad the question was brought up. I have one question. What portion, Frank, are we
talking about in this first increment? How many wells are there where this will be in issue?

MR. HORTIG: Well, from here on out the remainder of the eleven hundred to fifteen hundred total wells that may ultimately be drilled.

MR. CRANSTON: Eleven to fifteen total, so we are doing somewhere around ten percent at this time?

MR. HORTIG: Right.

MR. CRANSTON: At most.

MR. HORTIG: At this time.

GOV. ANDERSON: I'd rather see it a smaller amount. Any further discussion? (No response) If not, all in favor of the staff recommendation signify by saying "Aye."

Carried unanimously.

Item 12 -- Authorize Executive Officer to enter into agreement with the Department of the Interior supersed-ing the Operations Line Agreement of 1962, providing for the conduct of geophysical exploration and geological survey operations on the Outer Continental Shelf.

MR. HORTIG: Mr. Chairman, you and the Commissioner will recall that there has been an agreement which was in effect during the time that the title to the submerged lands more than three miles offshore of southern California and more than three miles away from the off-lying islands was in dispute. Under this agreement with the Department of the Interior, geophysical and geological explorations were
carried on under effectively a joint permit issued by the State of California and the U. S. Department of the Interior.

In view of the Supreme Court opinion of May 17, 1965, that the majority of this disputed area is outer continental shelf under the jurisdiction of the United States of America, it has been recommended by the U. S. Attorney General and the California Attorney General that there be a modification to this operating agreement and to remove the requirement that there be necessarily a California permit on those lands which are clearly under the jurisdiction of the United States and to substitute an agreement which is in the form attached on pages 44 and 45 of your agenda, to be substituted for the 1962 agreement, under which -- upon acceptance by the Department of the Interior and approval of the U. S. Department of Justice -- operations in the former disputed area will be conducted only under U. S. permit and no operations will be conducted initially for exploration in those two segments that are still under dispute and are the subject of a petition for rehearing by California, specifically San Pedro and Santa Monica Bays.

It is the recommendation of the Attorney General's Office that, as a matter of cooperation with the United States, this agreement be approved to supersede the former agreement which was approved by the Lands Commission with the Department of Interior for exploration operations offshore California.

MR. CHAMPION: Now, is there any relationship
involved here with our petition for rehearing?

MR. HORTIG: No. The areas that are the subject for rehearing are excluded under the provisions of the proposed agreement and are subject to further negotiation if it should be felt by the United States that it would be desirable to conduct exploration operations in those areas prior to final determination by the Court.

GOV. ANDERSON: Do we have a copy of that agreement?

MR. HORTIG: Yes, sir -- the new one.

GOV. ANDERSON: The one you are proposing to enter?

MR. HORTIG: Pages 44 and 45, Exhibit A -- this is the one that is being proposed.

GOV. ANDERSON: And what does that do as far as authorizing -- I am thinking about the area off Santa Monica. I want to know what possible change we will have on that.

MR. HORTIG: It makes no change in Santa Monica Bay at the present time claimed by the State of California.

GOV. ANDERSON: I am talking about three miles out.

MR. HORTIG: Three miles out from headland to headland, from Pt. Vicente to Point Dume.

GOV. ANDERSON: In other words, the agreement you are entering into excludes Santa Monica Bay?

MR. HORTIG: This is correct. It also excludes San Pedro.

MR. CHAMPION: Move approval.

MR. CRANSTON: Second.
GOV. ANDERSON: Moved and seconded, carried unanimously.

Anything further to come before the meeting? (No response).

We are adjourned.

ADJOURNED 11:10 a.m.

**********
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing thirty-seven pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION of the STATE OF CALIFORNIA held in Sacramento, California, on September 23, 1965.

Dated: Los Angeles, California, October 14, 1965.

[Signature]

LOUISE H. LILlico