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TRANSCRIPT OF  
MEETING  
of  
STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA  
December 16, 1965

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PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Glenn M. Anderson, Lieutenant Governor,  
Acting Chairman  
Hon. Alan Cranston, Controller, absent --  
represented by:  
Mr. Winthrop G. Griffith  
Deputy State Controller  
Hon. Hale Champion, Director of Finance, absent --  
represented by:  
Mr. John P. Sheehan, Chief  
Deputy Director, Department 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. Ford B. Ford, Executive Secretary  
Senate Factfinding Committee on  
Natural Resources  
  
Mr. Flint H. Agee, Vice President  
United Geophysical Corporation  
  
Mr. W. J. Austin  
Occidental Petroleum Corporation

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		<u>I N D E X</u>		
		(In accordance with Calendar Summary)		
<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>	<u>TRANSCRIPT</u>
<u>CALENDAR</u>	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
1	1	Call to order		
2	2	PERMITS, EASEMENTS, RIGHTS- OF-WAY, NO FEE:		
3		(a) Dept. of Fish and Game	7	1
4		(b) State Dept. of Public Works, Div. of Highways	3	2
5		(c) State Dept. of Public Works, Div. of Highways	21	3
6		(d) Pacific Tel. & Tel. Co.	22	4
7	3	PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:		
8		(a) Lee R. Miller	32	5
9		(b) Joseph I. O'Neill, John B. Ashmun, H.T. Hilliard	35	6
10		(c) Paul J & Augusta P. Bourdon	17	8
11		(d) John D. and Joan Hooper	2	9
12		(e) Union Oil Co. of Calif.	30	10
13		(f) Franco Wyoming Oil Co.	13	11
14		(g) Phillips Petroleum Co.	34	12
15		(h) Shell Oil Company	24	13
16		(i) Clear Lake Power Co.	31	14
17		(j) Eugene Sully Hancock, Jr.	16	16
18		(k) S. I. Corporation	14	18
19		(l) Pacific Gas & Electric Co.	25	20
20		(m) Pacific Gas & Electric Co.	26	21
21		(n) Pacific Gas & Electric Co.	27	22

continued

OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA

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I N D E X  
(In accordance with Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>
	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
3 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE continued			
(o) Pacific Gas & Electric Co.	28	23	9
(p) Pacific Gas & Electric Co.	8	24	9
(q) Pacific Gas & Electric Co.	5	25	9
(r) Occidental Petroleum Corp.	37	26	9
(s) Pan Petroleum Co., Inc.	15	28	12
(t) Elroy A. Richardson	19	29	12
(u) Shell Oil Company	23	30	12
(v) Union Oil Co. of Calif.	18	31	12
4 CITY OF LONG BEACH			
(a) Berths 204-205 Pier F	1	32	14
(b) Access Roads for Pier J	11	34	14
(c) Main trunk utility lines for Pier J	10	36	14
(d) Cooperative agreement Injection Well No. WI-11	29	38	14
5 LAND SALES			
(a) Dept. Public Works, Div. Highways, Shasta County	4	40	15
6 OIL AND GAS LEASE OFFERS			
(a) Parcel 31, offer 5546 acres in Ventura County	16	42	15
(b) Notice of offer 3339 acres Sacramento & Contra Costa counties, W.O. 5047	33	44	15
(c) Award to Atlantic Oil Co. W. O. 5584	36	45	16

continued

I N D E X  
(In accordance with Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
7 ADMINISTRATION			
(a) Amend and adopt regulations, Title 2, Calif. Admin. Code	20	46	17
(b) Service agreement with City of Benicia, Ch.18/64	6	48	17
(c) Schedule 1966 meetings	9	49	17
8 INFORMATIVE - (a) Litigation	38	50	17
9 Next meeting			18
<u>SUPPLEMENTAL CALENDAR</u>			
10 Approval 8th Modification Plan of Development Long Beach Unit Wilmington Oil Field (1965)	39	52	18
11 Approval 9th Modification of above	40	53	21

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I N D E X  
(In accordance with calendar items)

<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>
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3	2	2	26	21	8
4	40	15	27	22	8
5	25	9	28	23	9
6	48	17	29	38	14
7	1	2	30	10	3
8	24	9	31	14	4
9	49	17	32	5	3
10	36	14	33	44	15
11	34	14	34	12	4
12	16	4	35	6	3
13	11	4	36	45	16
14	18	5	37	26	9
15	28	12	38	50	17
16	42	15	SUPPLEMENTAL:		
17	8	3	39	52	18
18	31	12	40	53	21
19	29	12			
20	46	17	NEXT MEETING		
21	3	2	18		
22	4	2			
23	30	12			

1 DECEMBER 16, 1965 - 10:20 a.m.

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GOV. ANDERSON: The meeting of the State Lands Commission will come to order; and in the absence of the regular Chairman it might be in order that we select a new or temporary Chairman for the day.

MR. SHEEHAN: I'll move that Governor Anderson be Chairman.

MR. GRIFFITH: Second.

GOV. ANDERSON: Moved and seconded and carried unanimously.

For the record -- so there is not any question about it -- we have, representing Director of Finance Champion today, Mr. Sheehan, his Deputy; we have, representing Mr. Cranston, Mr. Winthrop Griffith, Mr. Cranston's Deputy.

I have been informed that there isn't any question about the number of deputies we can have. Just to make it clear, so there isn't any question about the legality about having two deputies in the meeting, Mr. Abbott of the Attorney General's Office will give us a legal ruling on it before we take any action.

MR. ABBOTT: Yes, Mr. Chairman. In our opinion the Government Code allows the Controller to have one deputy sitting for him on a commission such as the State Lands Commission; and another section allows the Director of Finance

2  
1 to have one deputy to sit for him on the State Lands Com-  
2 mission; and in our opinion each may do that, so that there  
3 may be two deputies sitting at this particular meeting.

4 GOV. ANDERSON: Just so that is a matter of record.  
5 Mr. Cranston is in Africa; Mr. Champion is on vacation; the  
6 Governor is in New Zealand.

7 The first item is permits, easements, and rights-  
8 of-way to be granted to public and other agencies at no fee,  
9 pursuant to statutes. Consideration is the public benefit.

10 Applicant (a) is Department of Fish and Game --  
11 Acceptance of quitclaim deed, effective 10/21/65, terminating  
12 Permit P.R.C. 2524.9, Del Norte County. Facility completely  
13 destroyed by December 1964 flood.

14 (b) State Department of Public Works, Division of  
15 Highways -- Execution of agreement for reservation for detour  
16 right-of-way, 100-foot strip of sovereign land in vicinity  
17 of Anaheim Bay at Seal Beach, Orange County.

18 (c) State Department of Public Works, Division of  
19 Highways -- Execution of agreement for reservation for  
20 bridge rights-of-way over a 0.606-acre and a 1.125-acre  
21 parcel of State sovereign land of Seal Slough (Marina  
22 Lagoon), San Mateo County.

23 (d) Pacific Telephone and Telegraph Company --  
24 Execution of agreement approving location of overhead com-  
25 munications cable across submerged lands of Sacramento  
26 River, Sutter and Colusa counties.

1 MR. SHEEHAN: I move approval.

2 MR. GRIFFITH: Second.

3 GOV. ANDERSON: Moved and seconded, carried unani-  
4 mously.

5 Classification 3 -- Permits, easements, leases and  
6 rights-of-way issued pursuant to statutes and established  
7 rental policies of the Commission:

8 Applicant (a) Lee R. Miller -- Extension of Dredg-  
9 ing Permit P.R.C. 2716.1 through December 31, 1967, covering  
10 0.039-acre portion of the bed of Corte Madera Creek, Marin  
11 County, subject to condition that dredged material will be  
12 deposited in San Francisco Bay easterly from Blunt Point,  
13 Angel Island.

14 (b) Joseph I. O'Neill, John B. Ashmun and H. T.  
15 Hilliard, a partnership -- One-year extension of Prospecting  
16 Permit P.R.C. 3036.1, Imperial County, through January 1,  
17 1967.

18 (c) Paul J. and Augusta P. Bourdon -- Approval of  
19 assignment of Lease P.R.C. 685.1, Corte Madera Ark Site No.  
20 10, Marin County, to Wm. R. Hanlon and Albert K. Engel.

21 (d) John D. Hooper and Joan Hooper -- Approval of  
22 assignment of Lease P.R.C. 2662.1, Ark Site on the Petaluma  
23 River, Marin County, to Leo J. Nolan and Edna R. Nolan.

24 (e) Union Oil Company of California -- Approval of  
25 assignment of an oil production payment in State Oil and Gas  
26 Lease P.R.C. 3033.1, Orange County, to University Benefit

1 Association, Inc.

2 (f) Franco Wyoming Oil Company -- Approval of  
3 assignment of an undivided one-half interest in Compensatory  
4 Royalty Agreement P.R.C. 2628.1, Sutter and Colusa counties,  
5 to Mobil Oil Company.

6 (g) Phillips Petroleum Company -- Deferment of  
7 drilling requirements under Oil and Gas Lease P.R.C. 2205.1,  
8 through July 21, 1966. Lessee diligently conducted drilling  
9 operations on the lease for two and one-half years prior to  
10 required date for commencing operations, and completed last  
11 well on March 27, 1964.

12 (h) Shell Oil Company -- Modification of Commission  
13 action of May 23, 1965, to provide blanket consent under  
14 Lease P.R.C. 3265.1, Orange County, to sublease to any  
15 operators under contract to the lessee during the life of  
16 the lease.

17 (i) Clear Lake Power Company -- Rescission of May  
18 27, 1965, authorization for issuance of two-year prospecting  
19 permit for geothermal energy, mineral waters, non-hydrocarbon  
20 gases and minerals other than oil and gas on submerged lands  
21 underlying Clear Lake, Lake County. Applicant declined to  
22 execute acceptance of the permit.

23 (j) Eugene Sully Hancock, Jr. -- Rescission of  
24 July 20, 1965, authorization for issuance of two-year pros-  
25 pecting permit for geothermal energy, mineral waters, non-  
26 hydrocarbon gases, and minerals other than oil and gas on

1 submerged lands underlying Clear Lake, Lake County.

2 Applicant declined to execute acceptance of the permit.

3 (k) S. I. Corporation -- Rescission of May 27, 1965  
4 authorization for issuance of two-year prospecting permit for  
5 geothermal energy, mineral waters, non-hydrocarbon gases,  
6 and minerals other than oil and gas on submerged lands under-  
7 lying Clear Lake, Lake County. Applicant declined to execute  
8 acceptance of the permit.

9 MR. HORTIG: Mr. Chairman, it might be helpful to  
10 the Commission to have an explanation as to the reason for  
11 the recommendation for rescission of the authorization for  
12 these applications, which has been discussed particularly  
13 this week with the one applicant, S. I. Corporation -- the  
14 principal reason being that recent exploration developments  
15 and further geologic analyses have led this particular appli-  
16 cant to focus their interest on the possibility of geothermal  
17 energy elsewhere, particularly in Sonoma County -- where  
18 they have applications pending before the State Lands Com-  
19 mission for consideration in that county. Their own cor-  
20 porate decision was that they would prefer to explore in  
21 Sonoma County, rather than in Lake County under the permit  
22 which was previously authorized by the Commission.

23 This is a matter of recent concern of the Senate  
24 Natural Resources Committee, which held hearings last week  
25 with respect to the provision of incentives and to provide  
26 assistance to prospective developers of geothermal energy

1 on both State-owned and privately-owned lands, and I gave  
2 this explanation with respect to these rescissions to indi-  
3 cate that the State Lands Division is still interested in the  
4 prospecting permit applications, even under the cumbersome  
5 procedures which are required under existing statutes, and  
6 that we still have applications pending, as well as issued  
7 under which exploration is going forward.

8 The consultant to the Senate Natural Resources  
9 Committee, Mr. Ford B. Ford, is here at this meeting today  
10 and I felt that this explanation might be of assistance for  
11 the record of his committee, and also gave the opportunity  
12 to inquire whether Mr. Ford wishes to make any statement to  
13 the Commission with respect to this field in which he is  
14 particularly interested.

15 GOV. ANDERSON: Mr. Ford, would you like to com-  
16 ment on these items? Would you identify yourself?

17 MR. FORD: Ford B. Ford, Executive Secretary,  
18 Senate Natural Resources Committee.

19 The committee did hold two days of field trips and  
20 a public hearing on the subject of geothermal minerals and it  
21 became evident during the hearing with regard to State lands  
22 that the prospectors had found some problems with the pros-  
23 pecting permit, the lease provisions. They seem to them to  
24 be unrealistic and it was their hope that something could be  
25 developed that generally paralleled the Federal legislation  
26 now pending on this subject; and some requests have gone

1 before the Governor; I understand, directed toward including  
2 this in a special call item.

3 I understand there is no real problem other than  
4 making necessary changes as befits your feelings and those of  
5 the companies that are currently in the field, working togeth-  
6 er with our committee to develop the legislation; and we will  
7 be in contact with the State Lands staff for that purpose.

8 GOV. ANDERSON: Is this a procedure that can be  
9 changed only by State legislation? Nothing our staff can  
10 do alone?

11 MR. FORD: That's my understanding.

12 MR. HORTIG: Actually, I think I should clarify  
13 only very slightly. A portion of the problems that are  
14 existent could be resolved by Commission action and this is  
15 under discussion with some of the applicants now on revised  
16 provisions that might be adopted by the Commission; but the  
17 complete resolution of all of the problems will require new  
18 legislation.

19 The problem is very simply that the Legislature in  
20 1921 prescribed a prospecting permit procedure designed to  
21 provide for effective permits and explorations for high unit  
22 value material -- gold -- and never had in mind the necessity  
23 of using the same statutes and rules and regulations to apply  
24 to an exotic situation such as geothermal energy. Conse-  
25 quently, the administrative procedures under existing statutes  
26 must be cumbersome, to say the least, and it would be

1 preferable, particularly to give the incentive to an entirely  
2 new industry, to have effective legislation which will really  
3 permit optimum development of this type of energy.

4 MR. SHEEHAN: We could modify it only in a minor  
5 way?

6 MR. HORTIG: That is correct, but we are still  
7 working on it -- even to the minor extent that we can.

8 GOV. ANDERSON: Your reference to "unrealistic"  
9 would apply to the 1921 statute?

10 MR. FORD: That's correct -- not the Lands Commis-  
11 sion policy.

12 GOV. ANDERSON: Because we feel our State Lands  
13 Commission is a very realistic body.

14 MR. FORD: Thank you.

15 GOV. ANDERSON: Applicant (l) -- Pacific Gas and  
16 Electric Company -- Issuance of ten-year renewal of Lease  
17 P.R.C. 495.1, covering 50-foot-wide pipeline easement, 0.767  
18 acre ungranted sovereign land in Latham Slough, San Joaquin  
19 County, at total rental of \$289.80.

20 (m) Pacific Gas and Electric Company -- Issuance  
21 of ten-year renewal of Lease P.R.C. 497.1, covering 50-foot-  
22 wide pipeline easement, 0.537 acre ungranted sovereign land  
23 in Middle River, San Joaquin County, at total rental of  
24 \$202.90.

25 (n) Pacific Gas and Electric Company -- Issuance  
26 of ten-year renewal of Lease P.R.C. 498.1, covering 50-foot

1 pipeline easement, 0.702 acre tide and submerged land in  
2 Old River, Contra Costa and San Joaquin counties, at total  
3 rental of \$265.20.

4 (o) Pacific Gas and Electric Company -- Issuance  
5 of ten-year renewal of Lease P.R.C. 499.1, covering three  
6 separate 50-foot-wide gas-pipeline easements across un-  
7 granted sovereign land in Whiskey Slough, San Joaquin County  
8 at total rental of \$100 for each of the three parcels.

9 (p) Pacific Gas and Electric Company -- Issuance  
10 of 15-year easement across 0.057-acre strip of tide and sub-  
11 merged lands of Taylor Slough, Contra Costa County, for  
12 submerged 4½-inch gas line, at total rental of \$332.70.

13 (q) Pacific Gas and Electric Company -- Issuance  
14 of 15-year easement, 0.826 acre tide and submerged lands of  
15 Monterey Bay, Monterey County, crossing bed of Old Salinas  
16 River, which is under jurisdiction of the Moss Landing  
17 Harbor District, for discharge pipes from upland power plant  
18 at annual rental of \$52.96.

19 (r) Occidental Petroleum Corporation -- Issuance  
20 of permit to conduct geophysical operations, Solano and  
21 Contra Costa counties.

22 MR. HORTIG: Mr. Chairman, when this item was pre-  
23 pared, including the recommendation as it appears on pages  
24 26 and 27 of your agenda, the Wildlife Protection Branch of  
25 the Department of Fish and Game had requested that the ex-  
26 ploration work be restricted to the period February 1 to

1 September 1.

2 We have just been informed this morning of the  
3 revised recommendation of the Wildlife Protection Branch  
4 that this period may now extend from January 10 to September  
5 1 and it is, therefore, recommended that the staff recommen-  
6 dation be modified to reflect this revised approval by the  
7 Wildlife Protection Branch of the Department of Fish and  
8 Game.

9 GOV. ANDERSON: Then the motion to approve should  
10 include the modification and the secretary will make note of  
11 that.

12 MR. AGEE: Mr. Chairman, I have a further revision  
13 I would like to suggest. I understand that Fish and Game  
14 approved their permit for the period beginning January 6th.

15 GOV. ANDERSON: Would you identify yourself?

16 MR. AGEE: I am Flint Agee. I am with the United  
17 Geophysical Company, representing Occidental. I understand  
18 the Fish and Game permit was set forward to the 6th of  
19 January and I would appreciate it if we could start our  
20 Lands Commission permit on the 6th of January.

21 MR. HORTIG: If I may call on the other representa-  
22 tive of Occidental Petroleum, who gave us the date which we  
23 confirmed this morning of January 10th, maybe we can resolve  
24 this problem.

25 MR. AUSTIN: I am W. J. Austin of the Occidental  
26 Petroleum Corporation. I think what he is talking about,

1 the thing we had in mind originally was February 1st to  
2 September 1st. Now the date of the permit, as I understand  
3 it, would be from January the 2nd with the provision that we  
4 can't go on Grizzly Island and the other island until January  
5 10th; is that correct?

6 MR. HORTIG: This is our understanding and, there-  
7 fore, this action by the State Lands Commission is to revise  
8 the permit for as long as you have a concurrent permit from  
9 Fish and Game, which would indicate January 10th will not  
10 influence the rest of your operations.

11 MR. AUSTIN: Thank you very much.

12 GOV. ANDERSON: Now, what is the modification?

13 MR. HORTIG: The modification is only with respect  
14 to the recitation on page 26 that the Department of Fish and  
15 Game previously asked that work be restricted on Grizzly and  
16 Hammond islands to the period February 1 to September 1.

17 It is now recognized that this has been revised  
18 where they are willing to have work start on those specific  
19 islands on January 10th, as early as January 10th, all of  
20 which would be done under a permit issued by the State Lands  
21 Commission effective January 2nd as to other areas and not  
22 effective, in fact, until January 10th for Grizzly and Ham-  
23 mond Island as requested by Fish and Game.

24 MR. SHEEHAN: And they go to September 1st?

25 MR. HORTIG: And to September 1st; this is correct.  
26 Actually, the State Lands permit does not contemplate that

1 the operations will actually take this entire period, but  
2 Fish and Game suggested it would be available and the Lands  
3 Commission permit would only be through July 1, 1966. This  
4 is all the time the operator really felt he needed.

5 GOV. ANDERSON: Secretary, you have that  
6 modification?

7 REPORTER: Yes, sir.

8 GOV. ANDERSON: Applicant (s) Pan Petroleum Com-  
9 pany, Inc. -- Issuance of six-month geological survey permit,  
10 tide and submerged lands, Santa Barbara, Ventura, Los  
11 Angeles, Orange, and San Diego counties.

12 (t) Elroy A. Richardson -- Issuance of five-year  
13 recreational pier permit, 0.003 acre sovereign land in bed  
14 of the Colorado River, Riverside County, for construction of  
15 a float, for fee of \$25.

16 (u) Shell Oil Company -- Issuance of 49-year ease-  
17 ment, 9.668 acres tide and submerged lands in the Santa Bar-  
18 bara Channel, Santa Barbara County, for construction, opera-  
19 tion and maintenance of submarine flow lines, at annual  
20 rental of \$274.60.

21 (v) Union Oil Company of California -- Issuance of  
22 15-year subsurface crossing easement, 7.66 acres ungranted  
23 sovereign lands below a depth of 2,000 feet under Piper  
24 Slough, Bethel Island, Contra Costa County (for purpose of  
25 drilling for oil and gas and other hydrocarbon substances  
26 from lands other than those of the State), at annual rental  
of \$734.82.

1 MR. SHEEHAN: I'll move the adoption, with the  
2 modification in (r).

3 MR. GRIFFITH: Second.

4 GOV. ANDERSON: Moved and seconded. Frank, I'd  
5 like to ask a question. On the half a dozen items, where we  
6 are renewing a lease, Pacific Gas and Electric items, this  
7 is for a ten-year period for the most part, ten or fifteen-  
8 year?

9 MR. HORTIG: Yes, sir.

10 GOV. ANDERSON: In view of our other procedures on  
11 rate formulas, how does that apply on each of these? Have  
12 you looked at the rental situation before establishing these?

13 MR. HORTIG: This is a continuation of the last  
14 series of rates established by the Lands Commission. Recom-  
15 mendations for changes in those rates are not ready for  
16 presentation.

17 GOV. ANDERSON: These are the rates that pre-  
18 viously applied?

19 MR. HORTIG: These are different than the rates  
20 that previously applied under an earlier Commission and  
21 earlier policy decision as to rental rates. These are now  
22 in conformance with the rental rates established by the cur-  
23 rent Commission.

24 GOV. ANDERSON: It has been moved and seconded  
25 that all the items under Classification 3 be approved, with  
26 the understanding that Application (r) be modified regarding

1 the dates as clarified by Mr. Hortig, and the secretary  
2 has note of it, and it is carried unanimously.

3 Classification Number 4 -- City of Long Beach  
4 (Pursuant to Chapter 29/56, First Extraordinary Session, and  
5 Chapter 138/64, First Extraordinary Session):

6 (a) Determine that expenditure proposed in letter  
7 dated 10/19/65 of approximately \$2,636,000 for construction  
8 of a wharf and development of the back area at Berths 204-  
9 205 on Pier "F" in the Long Beach Harbor District is in  
10 accordance with the provisions of Chapter 138/64, First  
11 Extraordinary Session.

12 Any comment on this, Frank?

13 MR. HORTIG: No, sir.

14 GOV. ANDERSON: (b) is to determine that expendi-  
15 ture proposed in letter dated 10/27/65 of approximately  
16 \$2,100,000 for construction of access roads for Pier "J" in  
17 the Long Beach Harbor District is in accordance with the pro-  
18 visions of Chapter 138/64, First Extraordinary Session.

19 (c) is to determine that expenditure proposed in  
20 letter dated 10/27/65 of approximately \$1,470,000 for con-  
21 struction of main trunk utility lines for Pier "J" in the  
22 Long Beach Harbor District is in accordance with the provi-  
23 sions of Chapter 138/64, First Extraordinary Session.

24 (d) is to find that the cooperative agreement  
25 (Injection Well No. WI-11) between City of Long Beach, Rich-  
26 field Oil Corporation, and Standard Oil Company of California,

1 provides that any impairment of the public trust for com-  
2 merce, navigation or fisheries to which granted lands are  
3 subject is prohibited; that the entering into and performance  
4 of such agreement is in the public interest; and approve  
5 said agreement on behalf of the State, pursuant to applicable  
6 law.

7 MR. SHEEHAN: I'll move.

8 MR. GRIFFITH: Second.

9 GOV. ANDERSON: Moved, seconded. Any questions or  
10 comments? (No response) If not, carried unanimously.

11 Item 5 -- Land Sales -- cleared with all State  
12 agencies having a land-acquisition program:

13 (a) Authorize sale of 34.97 acres vacant State  
14 school land, Shasta County, to the Department of Public  
15 Works, Division of Highways, for \$8,743.

16 MR. SHEEHAN: I'll move.

17 MR. GRIFFITH: Second.

18 GOV. ANDERSON: Moved and seconded, carried  
19 unanimously.

20 Item 6 is oil and gas lease offers:

21 (a) is to authorize Executive Officer to offer  
22 approximately 5,546 acres tide and submerged land in Ventura  
23 County for oil and gas lease - Parcel 31.

24 (b) is to authorize Executive Officer to publish  
25 notice of the Commission's intention to consider offering a  
26 lease for the extraction of oil and gas from approximately

1 3,339 acres tide and submerged lands in the counties of  
2 Sacramento and Contra Costa, underlying the San Joaquin River,  
3 False River, Taylor Slough, and Piper Slough - W.O. 5047.

4 MR. HORTIG: Mr. Chairman...

5 GOV. ANDERSON: Mr. Hortig.

6 MR. HORTIG: The resolution as it appears on page  
7 44 of the agenda before you should read, in the description:

8 "Described as follows:

9 "Tide and submerged lands situate in  
10 projected Sections 1, 2, 10, 11, 12, 14,  
11 and 15, Township 2 North, Range 2 East;  
12 projected Sections 2, 3, 4, 5, 6, 7, and..."

13 The correction is the addition of Section 6.

14 MR. GRIFFITH: What page is that?

15 MR. HORTIG: Page 44.

16 GOV. ANDERSON: The secretary has that correction?

17 (c) is to award to sole bidder, Atlantic Oil Com-  
18 pany, oil and gas lease designated as W.O. 5584, containing  
19 approximately 970 acres of land tidal in character; approxi-  
20 mately 132.71 acres of certain reserved upland mineral inter-  
21 ests; and approximately 75.71 acres underlying certain lands  
22 acquired by the State for navigational purposes, for cash-  
23 bonus payment of \$25,000.

24 MR. GRIFFITH: Move adoption.

25 MR. SHEEHAN: Second.

26 GOV. ANDERSON: Moved and seconded that items under  
Classification 6 be approved, with the amendment as previously

1 brought up by Mr. Hortig, of adding in item (b) Section  
2 Number 6. Carried unanimously.

3 Classification 7 -- Administration:

4 (a) Amend and adopt regulations in Title 2, Cali-  
5 fornia Administrative Code, with amendments to be effective  
6 thirty days after filing with the Secretary of State.

7 (b) Authorize Executive Officer to execute Service  
8 Agreement with City of Benicia, County of Solano, providing  
9 for surveying and platting services to be rendered the City  
10 pursuant to the provisions of Chapter 18/64, at Commission's  
11 actual costs not to exceed \$500.

12 (c) Confirm 1966 schedule of meetings of the State  
13 Lands Commission.

14 MR. SHEEHAN: So move.

15 MR. GRIFFITH: Second.

16 GOV. ANDERSON: Moved, seconded, carried  
17 unanimously.

18 Classification 8 -- Informative only, no Commis-  
19 sion action required: (a) is report on status of major  
20 litigation.

21 Mr. Abbott or Mr. Hortig, do you have anything  
22 to report?

23 MR. HORTIG: Mr. Chairman the resume' reports con-  
24 tinuing action in all the items of major litigation in which  
25 the Lands Commission is involved and for which the Attorney  
26 General's Office is counsel for the State Lands Commission,

1 but the actions have been procedural; there have been no  
2 decisions. There have been no significant court proceedings  
3 in connection with this litigation since the time of the  
4 last report. However, the report is included here in order  
5 that the Commission may have a current report of the status  
6 of these actions.

7 GOV. ANDERSON: Any comments? (No response)

8 Classification 9 is reconfirmation of date, time  
9 and place of next Commission meeting -- Thursday, January 27,  
10 1966, at 10 a.m. in Los Angeles.

11 MR. HORTIG: Governor, this has been modified by  
12 agreement with all Commissioners to Wednesday, January 26th.

13 GOV. ANDERSON: Was that cleared with my office?  
14 I know there was a recent question on this.

15 MR. HORTIG: It was, sir.

16 GOV. ANDERSON: What is it now?

17 MR. HORTIG: Wednesday, January 26th.

18 MR. SHEEHAN: In Los Angeles?

19 MR. HORTIG: In Los Angeles.

20 GOV. ANDERSON: With the understanding it was  
21 cleared with my office, fine.

22 Classification 10 is approval of Eighth Modifica-  
23 tion of the 1965 Plan of Development and Operations and  
24 Budget, Long Beach Unit, Wilmington Oil Field.

25 Frank, do you want to comment on that?

26 MR. HORTIG: If I may report, Governor, on both

1 items 10 and 11, since they represent the Eighth and Ninth  
2 and last modifications to come before the Commission in this  
3 year of 1965 for approval of modifications which were necessi-  
4 tated by the need to transfer funds -- no additional funds,  
5 but within the total amounts originally approved by the  
6 State Lands Commission but for specific purposes and utiliza-  
7 tion in development of the Long Beach Field.

8 The normal procedure would be and has been for  
9 most of the modifications from one through seven for approval  
10 of those modifications -- if technically acceptable and  
11 legally approved by the Attorney General, those modifications  
12 were approved by the Executive Officer and subsequently this  
13 approval was confirmed by the Commission.

14 The data for these modifications having just been  
15 received and just been evaluated, we are here really tele-  
16 scoping the procedure by bringing the modification to the  
17 Commission for initial approval, rather than confirmation.

18 The modifications are desirable only from the  
19 standpoint of assuring the contractor that the operations  
20 which were performed and for which funds have been expended  
21 were, in fact, expended in accordance with an approved bud-  
22 get, as approved by the State Lands Commission; and the  
23 Eighth Modification does add the opportunity to expend or  
24 commit in 1965 funds which are in the approved budget for  
25 the 1966 year. These funds will probably not be expended in  
26 1965 but in order that the contractor can be assured that he

1 can undertake the long-term contract for the furnishing of  
2 electrical services in this instance and be assured, with-  
3 out having to wait for subsequent approval by the State  
4 Lands Commission, it is recommended that this modification  
5 be approved this morning at this time.

6 GOV. ANDERSON: Mr. Abbott.

7 MR. ABBOTT: Mr. Chairman, this Eighth Modifica-  
8 tion is the first problem that has come up. Chapter 138  
9 requires plans of operation and budget for a period not ex-  
10 ceeding one year. In order to successfully operate, the  
11 contractor is going to have to go into long-term contracts,  
12 such as this one for electrical facilities. Since there is  
13 a remote chance that plans approved by the City and the  
14 State Lands Commission might not contain this item, each of  
15 these long-term contracts is going to have to have a penalty  
16 provision to allow the contractor to get out of the contract.

17 This Eighth Modification is setting up in the bud-  
18 get a contingent liability on this particular long-term con-  
19 tract in the event some time in the next ten years the plan  
20 as approved by the City and the State Lands Commission  
21 changes this method of operation. This is going to come up  
22 frequently, and this is the first one.

23 GOV. ANDERSON: Anything further, Frank? (No  
24 response)

25 MR. SHEEHAN: Move.

26 MR. GRIFFITH: Second.

1           GOV. ANDERSON: Moved and seconded, approved  
2 unanimously.

3           Item 11 -- Approval of Ninth Modification of the  
4 1965 Plan of Development and Operations and Budget, Long  
5 Beach Unit, Wilmington Oil Field.

6           Frank?

7           MR. HORTIG: That is included in the over-all  
8 previous discussion. This is the item that is clearly a  
9 re-allocation of accounting for the amounts of investment,  
10 expense, working fund, contingencies and administration over-  
11 head -- a difference in distribution from that originally  
12 contemplated in the budget approved by the State Lands Com-  
13 mission, but will not modify the total of \$13,785,000.

14          MR. SHEEHAN: Move approval.

15          MR. GRIFFITH: Second.

16          GOV. ANDERSON: Moved and seconded, carried unani-  
17 mously. Anything further?

18          MR. HORTIG: Yes, Mr. Chairman. If I may, I have  
19 two reports I should like to make for the information of the  
20 Commission.

21                 First, as the Commissioners will recall, the eastern-  
22 most tract of tide and submerged lands within the Long Beach  
23 City limits is an area in which the minerals are under the  
24 jurisdiction of the State Lands Commission and are no longer  
25 included under the tide and submerged lands grant to the City  
26 of Long Beach -- so that the contracts awarded by the City of

1 Long Beach for the development of the area that was identi-  
2 fied as Tract 1 and as approved by the State Lands Commission  
3 did not include a portion of the tide and submerged lands  
4 within the City of Long Beach.

5           It was recognized that it would be desirable that  
6 this area under the jurisdiction of the State Lands Commis-  
7 sion be included in the unit operations and be offered for  
8 contract bid as expeditiously as possible. This procedure  
9 was previously authorized by the Lands Commission and on  
10 December 9th three bids were received for this tract of tide  
11 and submerged lands under the jurisdiction of the State Lands  
12 Commission and which, on award of contract, will be included  
13 in the unit operations for the entire Long Beach unit of  
14 operations.

15           The bidding procedure is fairly complex. In es-  
16 sence it provided that there would be a base percentage of  
17 the net profits payable to the State Lands Commission of  
18 96.25 percent. This is the weighted average of the bids re-  
19 ceived for all of the participants in connection with Tract 1  
20 under the combined Long Beach City-State contract.

21           In addition, the biddable element was specified to  
22 be a bid of a limited royalty offer to be paid on the first  
23 six million barrels of oil which would be produced from  
24 Tract 2, the State Lands Commission tract.

25           The bids which were received and which are now  
26 under evaluation for report back to the Commission for award

1 of contract were:

2 A joint bid by Humble Oil and Refining Company and  
3 Texaco Inc. offering a limited production payment or limited  
4 royalty payment in addition to the 96.25 percent -- this  
5 royalty, as I said, to be applicable to the first six million  
6 barrels of oil, of 5.113 percent;

7 Pauley Petroleum Inc. bid 12.774 and Richfield Oil  
8 Corporation 23.677 percent.

9 The combination is dependent upon the actual  
10 production. Actual experience in development of net profits  
11 clearly puts the combination of the 96.25 percent and 23.677  
12 percent of the six million barrels of oil in the hundred per-  
13 cent bid class; indeed, it may exceed one hundred percent,  
14 ultimately possibly in the order of one hundred one percent.

15 That was Report Number 1.

16 MR. SHEEHAN: Pretty good report.

17 MR. HORTIG: Yes. I am happy to report that the  
18 Governor's Advisory Commission on Ocean Resources met on  
19 October 22nd and 23rd of this year to prepare recommendations  
20 based on a review of the report entitled "California and Use  
21 of the Ocean" which had been prepared by the Institute of  
22 Marine Resources at Scripps Institute of Oceanography and  
23 to include three subcommittee reports from subcommittees  
24 which had been established, which are entitled "Evaluation  
25 of Technological Manpower and Industrial Capabilities,"  
26 (2), "Program Proposals in Marine Resources Development,"

1 and, (3), "Organizational Structure of the State for Research  
2 and Management of Marine Resources."

3 The report of the subcommittee on Organizational  
4 Structure of the State for Research and Management of Marine  
5 Resources, which was accepted by the full Governor's Advisory  
6 Commission on October 23rd, contains the following statement,  
7 which I believe should be of particular interest to the  
8 State Lands Commission, and I quote:

9 "In some instances, notably the offshore oil  
10 development, the State has treated the resource  
11 as if it were a business opportunity, has  
12 planned competently, and at times even bril-  
13 liantly and we see no reason that this class  
14 of treatment will not continue in the future."

15 Continuing to quote:

16 "The State has established an excellent record  
17 in its handling of the petroleum resources.  
18 The story is relatively recent, dating to  
19 the Federal Submerged Lands Act of 1953. The  
20 written records show that early in the game  
21 the executive and legislative branches  
22 showed keen interest in trying to provide  
23 a hospitable environment for the oil industry  
24 so as to maximize the long term economic gain  
25 to the State. At the same time it was cog-  
26 nizant of the social and recreational impli-  
cations and restricted the oil industry where  
necessary. One may quarrel with some of the  
particular decisions reached by the State but  
only on the basis of personal preference or  
bias...."

I have nothing further, Mr. Chairman.

23 GOV. ANDERSON: Is there anything further to be  
24 brought before the Commission? (No response) There being  
25 no further business, the meeting is adjourned.

26 ADJOURNED 11:05 A.M.

CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing twenty-four pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California, on December 16, 1965.

Dated: Los Angeles, California, January 5, 1966.

Louise H. Lillico

1 Association, Inc.

2 (f) Franco Wyoming Oil Company -- Approval of  
3 assignment of an undivided one-half interest in Compensatory  
4 Royalty Agreement P.R.C. 2628.1, Sutter and Colusa counties,  
5 to Mobil Oil Company.

6 (g) Phillips Petroleum Company -- Deferment of  
7 drilling requirements under Oil and Gas Lease P.R.C. 2205.1,  
8 through July 21, 1966. Lessee diligently conducted drilling  
9 operations on the lease for two and one-half years prior to  
10 required date for commencing operations, and completed last  
11 well on March 27, 1964.

12 (h) Shell Oil Company -- Modification of Commission  
13 action of May 23, 1965, to provide blanket consent under  
14 Lease P.R.C. 3265.1, Orange County, to sublease to any  
15 operators under contract to the lessee during the life of  
16 the lease.

17 (i) Clear Lake Power Company -- Rescission of May  
18 27, 1965, authorization for issuance of two-year prospecting  
19 permit for geothermal energy, mineral waters, non-hydrocarbon  
20 gases and minerals other than oil and gas on submerged lands  
21 underlying Clear Lake, Lake County. Applicant declined to  
22 execute acceptance of the permit.

23 (j) Eugene Sully Hancock, Jr. -- Rescission of  
24 July 20, 1965, authorization for issuance of two-year pros-  
25 pecting permit for geothermal energy, mineral waters, non-  
26 hydrocarbon gases, and minerals other than oil and gas on

1 submerged lands underlying Clear Lake, Lake County.

2 Applicant declined to execute acceptance of the permit.

3 (k) S. I. Corporation -- Rescission of May 27, 1965  
4 authorization for issuance of two-year prospecting permit for  
5 geothermal energy, mineral waters, non-hydrocarbon gases,  
6 and minerals other than oil and gas on submerged lands under-  
7 lying Clear Lake, Lake County. Applicant declined to execute  
8 acceptance of the permit.

9 MR. HORTIG: Mr. Chairman, it might be helpful to  
10 the Commission to have an explanation as to the reason for  
11 the recommendation for rescission of the authorization for  
12 these applications, which has been discussed particularly  
13 this week with the one applicant, S. I. Corporation -- the  
14 principal reason being that recent exploration developments  
15 and further geologic analyses have led this particular appli-  
16 cant to focus their interest on the possibility of geothermal  
17 energy elsewhere, particularly in Sonoma County -- where  
18 they have applications pending before the State Lands Com-  
19 mission for consideration in that county. Their own cor-  
20 porate decision was that they would prefer to explore in  
21 Sonoma County, rather than in Lake County under the permit  
22 which was previously authorized by the Commission.

23 This is a matter of recent concern of the Senate  
24 Natural Resources Committee, which held hearings last week  
25 with respect to the provision of incentives and to provide  
26 assistance to prospective developers of geothermal energy

1 on both State-owned and privately-owned lands, and I gave  
2 this explanation with respect to these rescissions to indi-  
3 cate that the State Lands Division is still interested in the  
4 prospecting permit applications, even under the cumbersome  
5 procedures which are required under existing statutes, and  
6 that we still have applications pending, as well as issued  
7 under which exploration is going forward.

8 The consultant to the Senate Natural Resources  
9 Committee, Mr. Ford B. Ford, is here at this meeting today  
10 and I felt that this explanation might be of assistance for  
11 the record of his committee, and also gave the opportunity  
12 to inquire whether Mr. Ford wishes to make any statement to  
13 the Commission with respect to this field in which he is  
14 particularly interested.

15 GOV. ANDERSON: Mr. Ford, would you like to com-  
16 ment on these items? Would you identify yourself?

17 MR. FORD: Ford B. Ford, Executive Secretary,  
18 Senate Natural Resources Committee.

19 The committee did hold two days of field trips and  
20 a public hearing on the subject of geothermal minerals and it  
21 became evident during the hearing with regard to State lands  
22 that the prospectors had found some problems with the pros-  
23 pecting permit, the lease provisions. They seem to them to  
24 be unrealistic and it was their hope that something could be  
25 developed that generally paralleled the Federal legislation  
26 now pending on this subject; and some requests have gone

1 before the Governor; I understand, directed toward including  
2 this in a special call item.

3 I understand there is no real problem other than  
4 making necessary changes as befits your feelings and those of  
5 the companies that are currently in the field, working togeth-  
6 er with our committee to develop the legislation; and we will  
7 be in contact with the State Lands staff for that purpose.

8 GOV. ANDERSON: Is this a procedure that can be  
9 changed only by State legislation? Nothing our staff can  
10 do alone?

11 MR. FORD: That's my understanding.

12 MR. HORTIG: Actually, I think I should clarify  
13 only very slightly. A portion of the problems that are  
14 existent could be resolved by Commission action and this is  
15 under discussion with some of the applicants now on revised  
16 provisions that might be adopted by the Commission; but the  
17 complete resolution of all of the problems will require new  
18 legislation.

19 The problem is very simply that the Legislature in  
20 1921 prescribed a prospecting permit procedure designed to  
21 provide for effective permits and explorations for high unit  
22 value material -- gold -- and never had in mind the necessity  
23 of using the same statutes and rules and regulations to apply  
24 to an exotic situation such as geothermal energy. Conse-  
25 quently, the administrative procedures under existing statutes  
26 must be cumbersome, to say the least, and it would be

1 preferable, particularly to give the incentive to an entirely  
2 new industry, to have effective legislation which will really  
3 permit optimum development of this type of energy.

4 MR. SHEEHAN: We could modify it only in a minor  
5 way?

6 MR. HORTIG: That is correct, but we are still  
7 working on it -- even to the minor extent that we can.

8 GOV. ANDERSON: Your reference to "unrealistic"  
9 would apply to the 1921 statute?

10 MR. FORD: That's correct -- not the Lands Commis-  
11 sion policy.

12 GOV. ANDERSON: Because we feel our State Lands  
13 Commission is a very realistic body.

14 MR. FORD: Thank you.

15 GOV. ANDERSON: Applicant (l) -- Pacific Gas and  
16 Electric Company -- Issuance of ten-year renewal of Lease  
17 P.R.C. 495.1, covering 50-foot-wide pipeline easement, 0.767  
18 acre ungranted sovereign land in Latham Slough, San Joaquin  
19 County, at total rental of \$289.80.

20 (m) Pacific Gas and Electric Company -- Issuance  
21 of ten-year renewal of Lease P.R.C. 497.1, covering 50-foot-  
22 wide pipeline easement, 0.537 acre ungranted sovereign land  
23 in Middle River, San Joaquin County, at total rental of  
24 \$202.90.

25 (n) Pacific Gas and Electric Company -- Issuance  
26 of ten-year renewal of Lease P.R.C. 498.1, covering 50-foot

1 pipeline easement, 0.702 acre tide and submerged land in  
2 Old River, Contra Costa and San Joaquin counties, at total  
3 rental of \$265.20.

4 (o) Pacific Gas and Electric Company -- Issuance  
5 of ten-year renewal of Lease P.R.C. 499.1, covering three  
6 separate 50-foot-wide gas-pipeline easements across un-  
7 granted sovereign land in Whiskey Slough, San Joaquin County  
8 at total rental of \$100 for each of the three parcels.

9 (p) Pacific Gas and Electric Company -- Issuance  
10 of 15-year easement across 0.057-acre strip of tide and sub-  
11 merged lands of Taylor Slough, Contra Costa County, for  
12 submerged 4½-inch gas line, at total rental of \$332.70.

13 (q) Pacific Gas and Electric Company -- Issuance  
14 of 15-year easement, 0.826 acre tide and submerged lands of  
15 Monterey Bay, Monterey County, crossing bed of Old Salinas  
16 River, which is under jurisdiction of the Moss Landing  
17 Harbor District, for discharge pipes from upland power plant,  
18 at annual rental of \$52.96.

19 (r) Occidental Petroleum Corporation -- Issuance  
20 of permit to conduct geophysical operations, Solano and  
21 Contra Costa counties.

22 MR. HORTIG: Mr. Chairman, when this item was pre-  
23 pared, including the recommendation as it appears on pages  
24 26 and 27 of your agenda, the Wildlife Protection Branch of  
25 the Department of Fish and Game had requested that the ex-  
26 ploration work be restricted to the period February 1 to

1 September 1.

2 We have just been informed this morning of the  
3 revised recommendation of the Wildlife Protection Branch  
4 that this period may now extend from January 10 to September  
5 1 and it is, therefore, recommended that the staff recommen-  
6 dation be modified to reflect this revised approval by the  
7 Wildlife Protection Branch of the Department of Fish and  
8 Game.

9 GOV. ANDERSON: Then the motion to approve should  
10 include the modification and the secretary will make note of  
11 that.

12 MR. AGEE: Mr. Chairman, I have a further revision  
13 I would like to suggest. I understand that Fish and Game  
14 approved their permit for the period beginning January 6th.

15 GOV. ANDERSON: Would you identify yourself?

16 MR. AGEE: I am Flint Agee. I am with the United  
17 Geophysical Company, representing Occidental. I understand  
18 the Fish and Game permit was set forward to the 6th of  
19 January and I would appreciate it if we could start our  
20 Lands Commission permit on the 6th of January.

21 MR. HORTIG: If I may call on the other representa-  
22 tive of Occidental Petroleum, who gave us the date which we  
23 confirmed this morning of January 10th, maybe we can resolve  
24 this problem.

25 MR. AUSTIN: I am W. J. Austin of the Occidental  
26 Petroleum Corporation. I think what he is talking about,

1 the thing we had in mind originally was February 1st to  
2 September 1st. Now the date of the permit, as I understand  
3 it, would be from January the 2nd with the provision that we  
4 can't go on Grizzly Island and the other island until January  
5 10th; is that correct?

6 MR. HORTIG: This is our understanding and, there-  
7 fore, this action by the State Lands Commission is to revise  
8 the permit for as long as you have a concurrent permit from  
9 Fish and Game, which would indicate January 10th will not  
10 influence the rest of your operations.

11 MR. AUSTIN: Thank you very much.

12 GOV. ANDERSON: Now, what is the modification?

13 MR. HORTIG: The modification is only with respect  
14 to the recitation on page 26 that the Department of Fish and  
15 Game previously asked that work be restricted on Grizzly and  
16 Hammond islands to the period February 1 to September 1.

17 It is now recognized that this has been revised  
18 where they are willing to have work start on those specific  
19 islands on January 10th, as early as January 10th, all of  
20 which would be done under a permit issued by the State Lands  
21 Commission effective January 2nd as to other areas and not  
22 effective, in fact, until January 10th for Grizzly and Ham-  
23 mond Island as requested by Fish and Game.

24 MR. SHEEHAN: And they go to September 1st?

25 MR. HORTIG: And to September 1st; this is correct.  
26 Actually, the State Lands permit does not contemplate that

1 the operations will actually take this entire period, but  
2 Fish and Game suggested it would be available and the Lands  
3 Commission permit would only be through July 1, 1966. This  
4 is all the time the operator really felt he needed.

5 GOV. ANDERSON: Secretary, you have that  
6 modification?

7 REPORTER: Yes, sir.

8 GOV. ANDERSON: Applicant (s) Pan Petroleum Com-  
9 pany, Inc. -- Issuance of six-month geological survey permit,  
10 tide and submerged lands, Santa Barbara, Ventura, Los  
11 Angeles, Orange, and San Diego counties.

12 (t) Elroy A. Richardson -- Issuance of five-year  
13 recreational pier permit, 0.003 acre sovereign land in bed  
14 of the Colorado River, Riverside County, for construction of  
15 a float, for fee of \$25.

16 (u) Shell Oil Company -- Issuance of 49-year ease-  
17 ment, 9.668 acres tide and submerged lands in the Santa Bar-  
18 bara Channel, Santa Barbara County, for construction, opera-  
19 tion and maintenance of submarine flow lines, at annual  
20 rental of \$274.60.

21 (v) Union Oil Company of California -- Issuance of  
22 15-year subsurface crossing easement, 7.66 acres ungranted  
23 sovereign lands below a depth of 2,000 feet under Piper  
24 Slough, Bethel Island, Contra Costa County (for purpose of  
25 drilling for oil and gas and other hydrocarbon substances  
26 from lands other than those of the State), at annual rental  
of \$734.82.

1 MR. SHEEHAN: I'll move the adoption, with the  
2 modification in (r).

3 MR. GRIFFITH: Second.

4 GOV. ANDERSON: Moved and seconded. Frank, I'd  
5 like to ask a question. On the half a dozen items, where we  
6 are renewing a lease, Pacific Gas and Electric items, this  
7 is for a ten-year period for the most part, ten or fifteen-  
8 year?

9 MR. HORTIG: Yes, sir.

10 GOV. ANDERSON: In view of our other procedures on  
11 rate formulas, how does that apply on each of these? Have  
12 you looked at the rental situation before establishing these?

13 MR. HORTIG: This is a continuation of the last  
14 series of rates established by the Lands Commission. Recom-  
15 mendations for changes in those rates are not ready for  
16 presentation.

17 GOV. ANDERSON: These are the rates that pre-  
18 viously applied?

19 MR. HORTIG: These are different than the rates  
20 that previously applied under an earlier Commission and  
21 earlier policy decision as to rental rates. These are now  
22 in conformance with the rental rates established by the cur-  
23 rent Commission.

24 GOV. ANDERSON: It has been moved and seconded  
25 that all the items under Classification 3 be approved, with  
26 the understanding that Application (r) be modified regarding

1 the dates as clarified by Mr. Hortig, and the secretary  
2 has note of it, and it is carried unanimously.

3 Classification Number 4 -- City of Long Beach  
4 (Pursuant to Chapter 29/56, First Extraordinary Session, and  
5 Chapter 138/64, First Extraordinary Session):

6 (a) Determine that expenditure proposed in letter  
7 dated 10/19/65 of approximately \$2,636,000 for construction  
8 of a wharf and development of the back area at Berths 204-  
9 205 on Pier "F" in the Long Beach Harbor District is in  
10 accordance with the provisions of Chapter 138/64, First  
11 Extraordinary Session.

12 Any comment on this, Frank?

13 MR. HORTIG: No, sir.

14 GOV. ANDERSON: (b) is to determine that expendi-  
15 ture proposed in letter dated 10/27/65 of approximately  
16 \$2,100,000 for construction of access roads for Pier "J" in  
17 the Long Beach Harbor District is in accordance with the pro-  
18 visions of Chapter 138/64, First Extraordinary Session.

19 (c) is to determine that expenditure proposed in  
20 letter dated 10/27/65 of approximately \$1,470,000 for con-  
21 struction of main trunk utility lines for Pier "J" in the  
22 Long Beach Harbor District is in accordance with the provi-  
23 sions of Chapter 138/64, First Extraordinary Session.

24 (d) is to find that the cooperative agreement  
25 (Injection Well No. WI-11) between City of Long Beach, Rich-  
26 field Oil Corporation, and Standard Oil Company of California,

1 provides that any impairment of the public trust for com-  
2 merce, navigation or fisheries to which granted lands are  
3 subject is prohibited; that the entering into and performance  
4 of such agreement is in the public interest; and approve  
5 said agreement on behalf of the State, pursuant to applicable  
6 law.

7 MR. SHEEHAN: I'll move.

8 MR. GRIFFITH: Second.

9 GOV. ANDERSON: Moved, seconded. Any questions or  
10 comments? (No response) If not, carried unanimously.

11 Item 5 -- Land Sales -- cleared with all State  
12 agencies having a land-acquisition program:

13 (a) Authorize sale of 34.97 acres vacant State  
14 school land, Shasta County, to the Department of Public  
15 Works, Division of Highways, for \$8,743.

16 MR. SHEEHAN: I'll move.

17 MR. GRIFFITH: Second.

18 GOV. ANDERSON: Moved and seconded, carried  
19 unanimously.

20 Item 6 is oil and gas lease offers:

21 (a) is to authorize Executive Officer to offer  
22 approximately 5,546 acres tide and submerged land in Ventura  
23 County for oil and gas lease - Parcel 31.

24 (b) is to authorize Executive Officer to publish  
25 notice of the Commission's intention to consider offering a  
26 lease for the extraction of oil and gas from approximately

1 3,339 acres tide and submerged lands in the counties of  
2 Sacramento and Contra Costa, underlying the San Joaquin River,  
3 False River, Taylor Slough, and Piper Slough - W.O. 5047.

4 MR. HORTIG: Mr. Chairman...

5 GOV. ANDERSON: Mr. Hortig.

6 MR. HORTIG: The resolution as it appears on page  
7 44 of the agenda before you should read, in the description:

8 "Described as follows:

9 "Tide and submerged lands situate in  
10 projected Sections 1, 2, 10, 11, 12, 14,  
11 and 15, Township 2 North, Range 2 East;  
12 projected Sections 2, 3, 4, 5, 6, 7, and..."

13 The correction is the addition of Section 6.

14 MR. GRIFFITH: What page is that?

15 MR. HORTIG: Page 44.

16 GOV. ANDERSON: The secretary has that correction?

17 (c) is to award to sole bidder, Atlantic Oil Com-  
18 pany, oil and gas lease designated as W.O. 5584, containing  
19 approximately 970 acres of land tidal in character; approxi-  
20 mately 132.71 acres of certain reserved upland mineral inter-  
21 ests; and approximately 75.7" acres underlying certain lands  
22 acquired by the State for navigational purposes, for cash-  
23 bonus payment of \$25,000.

24 MR. GRIFFITH: Move adoption.

25 MR. SHEEHAN: Second.

26 GOV. ANDERSON: Moved and seconded that items under  
Classification 6 be approved, with the amendment as previously

1 brought up by Mr. Hortig, of adding in item (b) Section  
2 Number 6. Carried unanimously.

3 Classification 7 -- Administration:

4 (a) Amend and adopt regulations in Title 2, Cali-  
5 fornia Administrative Code, with amendments to be effective  
6 thirty days after filing with the Secretary of State.

7 (b) Authorize Executive Officer to execute Service  
8 Agreement with City of Benicia, County of Solano, providing  
9 for surveying and platting services to be rendered the City  
10 pursuant to the provisions of Chapter 18/64, at Commission's  
11 actual costs not to exceed \$500.

12 (c) Confirm 1966 schedule of meetings of the State  
13 Lands Commission.

14 MR. SHEEHAN: So move.

15 MR. GRIFFITH: Second.

16 GOV. ANDERSON: Moved, seconded, carried  
17 unanimously.

18 Classification 8 -- Informative only, no Commis-  
19 sion action required: (a) is report on status of major  
20 litigation.

21 Mr. Abbott or Mr. Hortig, do you have anything  
22 to report?

23 MR. HORTIG: Mr. Chairman the resume' reports con-  
24 tinuing action in all the items of major litigation in which  
25 the Lands Commission is involved and for which the Attorney  
26 General's Office is counsel for the State Lands Commission,

1 but the actions have been procedural; there have been no  
2 decisions. There have been no significant court proceedings  
3 in connection with this litigation since the time of the  
4 last report. However, the report is included here in order  
5 that the Commission may have a current report of the status  
6 of these actions.

7 GOV. ANDERSON: Any comments? (No response)

8 Classification 9 is reconfirmation of date, time  
9 and place of next Commission meeting -- Thursday, January 27,  
10 1966, at 10 a.m. in Los Angeles.

11 MR. HORTIG: Governor, this has been modified by  
12 agreement with all Commissioners to Wednesday, January 26th.

13 GOV. ANDERSON: Was that cleared with my office?  
14 I know there was a recent question on this.

15 MR. HORTIG: It was, sir.

16 GOV. ANDERSON: What is it now?

17 MR. HORTIG: Wednesday, January 26th.

18 MR. SHEEHAN: In Los Angeles?

19 MR. HORTIG: In Los Angeles.

20 GOV. ANDERSON: With the understanding it was  
21 cleared with my office, fine.

22 Classification 10 is approval of Eighth Modifica-  
23 tion of the 1965 Plan of Development and Operations and  
24 Budget, Long Beach Unit, Wilmington Oil Field.

25 Frank, do you want to comment on that?

26 MR. HORTIG: If I may report, Governor, on both

1 items 10 and 11, since they represent the Eighth and Ninth  
2 and last modifications to come before the Commission in this  
3 year of 1965 for approval of modifications which were necessi-  
4 tated by the need to transfer funds -- no additional funds,  
5 but within the total amounts originally approved by the  
6 State Lands Commission but for specific purposes and utiliza-  
7 tion in development of the Long Beach Field.

8 The normal procedure would be and has been for  
9 most of the modifications from one through seven for approval  
10 of those modifications -- if technically acceptable and  
11 legally approved by the Attorney General, those modifications  
12 were approved by the Executive Officer and subsequently this  
13 approval was confirmed by the Commission.

14 The data for these modifications having just been  
15 received and just been evaluated, we are here really tele-  
16 scoping the procedure by bringing the modification to the  
17 Commission for initial approval, rather than confirmation.

18 The modifications are desirable only from the  
19 standpoint of assuring the contractor that the operations  
20 which were performed and for which funds have been expended  
21 were, in fact, expended in accordance with an approved bud-  
22 get, as approved by the State Lands Commission; and the  
23 Eighth Modification does add the opportunity to expend or  
24 commit in 1965 funds which are in the approved budget for  
25 the 1966 year. These funds will probably not be expended in  
26 1965 but in order that the contractor can be assured that he

1 can undertake the long-term contract for the furnishing of  
2 electrical services in this instance and be assured, with-  
3 out having to wait for subsequent approval by the State  
4 Lands Commission, it is recommended that this modification  
5 be approved this morning at this time.

6 GOV. ANDERSON: Mr. Abbott.

7 MR. ABBOTT: Mr. Chairman, this Eighth Modifica-  
8 tion is the first problem that has come up. Chapter 138  
9 requires plans of operation and budget for a period not ex-  
10 ceeding one year. In order to successfully operate, the  
11 contractor is going to have to go into long-term contracts,  
12 such as this one for electrical facilities. Since there is  
13 a remote chance that plans approved by the City and the  
14 State Lands Commission might not contain this item, each of  
15 these long-term contracts is going to have to have a penalty  
16 provision to allow the contractor to get out of the contract.

17 This Eighth Modification is setting up in the bud-  
18 get a contingent liability on this particular long-term con-  
19 tract in the event some time in the next ten years the plan  
20 as approved by the City and the State Lands Commission  
21 changes this method of operation. This is going to come up  
22 frequently, and this is the first one.

23 GOV. ANDERSON: Anything further, Frank? (No  
24 response)

25 MR. SHEEHAN: Move.

26 MR. GRIFFITH: Second.

1           GOV. ANDERSON: Moved and seconded, approved  
2 unanimously.

3           Item 11 -- Approval of Ninth Modification of the  
4 1965 Plan of Development and Operations and Budget, Long  
5 Beach Unit, Wilmington Oil Field.

6           Frank?

7           MR. HORTIG: That is included in the over-all  
8 previous discussion. This is the item that is clearly a  
9 re-allocation of accounting for the amounts of investment,  
10 expense, working fund, contingencies and administration over-  
11 head -- a difference in distribution from that originally  
12 contemplated in the budget approved by the State Lands Com-  
13 mission, but will not modify the total of \$13,785,000.

14          MR., SHEEHAN: Move approval.

15          MR. GRIFFITH: Second.

16          GOV. ANDERSON: Moved and seconded, carried unani-  
17 mously. Anything further?

18          MR. HORTIG: Yes, Mr. Chairman. If I may, I have  
19 two reports I should like to make for the information of the  
20 Commission.

21                 First, as the Commissioners will recall, the eastern-  
22 most tract of tide and submerged lands within the Long Beach  
23 City limits is an area in which the minerals are under the  
24 jurisdiction of the State Lands Commission and are no longer  
25 included under the tide and submerged lands grant to the City  
26 of Long Beach -- so that the contracts awarded by the City of

1 Long Beach for the development of the area that was identi-  
2 fied as Tract 1 and as approved by the State Lands Commission  
3 did not include a portion of the tide and submerged lands  
4 within the City of Long Beach.

5           It was recognized that it would be desirable that  
6 this area under the jurisdiction of the State Lands Commis-  
7 sion be included in the unit operations and be offered for  
8 contract bid as expeditiously as possible. This procedure  
9 was previously authorized by the Lands Commission and on  
10 December 9th three bids were received for this tract of tide  
11 and submerged lands under the jurisdiction of the State Lands  
12 Commission and which, on award of contract, will be included  
13 in the unit operations for the entire Long Beach unit of  
14 operations.

15           The bidding procedure is fairly complex. In es-  
16 sence it provided that there would be a base percentage of  
17 the net profits payable to the State Lands Commission of  
18 96.25 percent. This is the weighted average of the bids re-  
19 ceived for all of the participants in connection with Tract 1  
20 under the combined Long Beach City-State contract.

21           In addition, the biddable element was specified to  
22 be a bid of a limited royalty offer to be paid on the first  
23 six million barrels of oil which would be produced from  
24 Tract 2, the State Lands Commission tract.

25           The bids which were received and which are now  
26 under evaluation for report back to the Commission for award

1 of contract were:

2 A joint bid by Humble Oil and Refining Company and  
3 Texaco Inc. offering a limited production payment or limited  
4 royalty payment in addition to the 96.25 percent -- this  
5 royalty, as I said, to be applicable to the first six million  
6 barrels of oil, of 5.113 percent;

7 Pauley Petroleum Inc. bid 12.774 and Richfield Oil  
8 Corporation 23.677 percent.

9 The combination is dependent upon the actual  
10 production. Actual experience in development of net profits  
11 clearly puts the combination of the 96.25 percent and 23.677  
12 percent of the six million barrels of oil in the hundred per-  
13 cent bid class; indeed, it may exceed one hundred percent,  
14 ultimately possibly in the order of one hundred one percent.

15 That was Report Number 1.

16 MR. SHEEHAN: Pretty good report.

17 MR. HORTIG: Yes. I am happy to report that the  
18 Governor's Advisory Commission on Ocean Resources met on  
19 October 22nd and 23rd of this year to prepare recommendations  
20 based on a review of the report entitled "California and Use  
21 of the Ocean" which had been prepared by the Institute of  
22 Marine Resources at Scripps Institute of Oceanography and  
23 to include three subcommittee reports from subcommittees  
24 which had been established, which are entitled "Evaluation  
25 of Technological Manpower and Industrial Capabilities,"  
26 (2), "Program Proposals in Marine Resources Development,"

1 and, (3), "Organizational Structure of the State for Research  
2 and Management of Marine Resources."

3 The report of the subcommittee on Organizational  
4 Structure of the State for Research and Management of Marine  
5 Resources, which was accepted by the full Governor's Advisory  
6 Commission on October 23rd, contains the following statement:  
7 which I believe should be of particular interest to the  
8 State Lands Commission, and I quote:

9 "In some instances, notably the offshore oil  
10 development, the State has treated the resource  
11 as if it were a business opportunity, has  
12 planned competently, and at times even bril-  
13 liantly and we see no reason that this class  
14 of treatment will not continue in the future."

15 Continuing to quote:

16 "The State has established an excellent record  
17 in its handling of the petroleum resources.  
18 The story is relatively recent, dating to  
19 the Federal Submerged Lands Act of 1953. The  
20 written records show that early in the game  
21 the executive and legislative branches  
22 showed keen interest in trying to provide  
23 a hospitable environment for the oil industry  
24 so as to maximize the long term economic gain  
25 to the State. At the same time it was cog-  
26 nizant of the social and recreational impli-  
cations and restricted the oil industry where  
necessary. One may quarrel with some of the  
particular decisions reached by the State but  
only on the basis of personal preference or  
bias...."

I have nothing further, Mr. Chairman.

23 GOV. ANDERSON: Is there anything further to be  
24 brought before the Commission? (No response) There being  
25 no further business, the meeting is adjourned.

26 ADJOURNED 11:05 A.M.

CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing twenty-four pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California, on December 16, 1965.

Dated: Los Angeles, California, January 5, 1966.

*Louise H. Lillico*