TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA
August 8, 1966
STATE LANDS COMMISSION

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August 8, 1966

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Alan Cranston, Controller, Chairman
Hon. Glenn M. Anderson, Lieutenant Governor
Hon. Hale Champion, Director of Finance, absent, represented by:
Mr. John P. Sheehan, Chief Deputy Director of Finance

Mr. F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay L. Shavelson, Assistant Attorney General

APPEARANCES:

(In the order of their appearance)

Mr. Charles Baldwin, Joint Legislative Committee on Tide and Submerged Lands
Mr. Henry W. Wright, Manager, Land and Tax Department, Western Oil and Gas Association
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(In accordance with Calendar Summary)

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(In accordance w/Item numbers)

**SUPPLEMENTAL**

**NEXT MEETING:**

16

**UNCALENDARED:**

Dry Gas Pricing 17
AUGUST 8, 1966 - 10:15 a.m.

MR. CRANSTON: The meeting will please come to order. The first item is confirmation of minutes of May 26, 1966. Motion is in order to confirm.

MR. SHEEHAN: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded, so ordered.

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

(a) General Telephone Company of California -- Executive by Executive Officer of agreement covering location of submerged communications cables across ungranted sovereign lands, in (1) Sacramento River, approximately 1,335 feet northeast of Walnut Grove Bridge, Walnut Grove, Sacramento County; (2) Snodgrass Slough, parallel to the north edge of the Twin Cities Road Bridge, Sacramento County; and (3) Steamboat Slough, between Grand and Ryer Islands, Sacramento and Solano counties.

(b) Santa Cruz County Department of Public Works -- Issuance of permit to dredge approximately 20,000 cubic yards of material, at royalty of five cents a cubic yard for all material to be placed upon private property, from a 16.622-acre area near the mouth of the Pajaro River, Santa Cruz County.
(c) County of Sacramento -- Amendment of Lease P.R.C. 3405.9 (bridge easement) to provide for its issuance to the counties of Sacramento and Yolo jointly and for deleting present legal description and substituting a corrected legal description covering 3.979 acres tide and submerged lands of the Sacramento River, Sacramento and Yolo counties.

(d) State Department of Parks and Recreation -- Issuance of 15-year permit for the placement of regulatory marker buoys around perimeters of three parcels of land in Clear Lake, Lake County, containing total of 0.079 acre.

(e) State Department of Public Works, Division of Highways -- Amendment of right-of-way agreement P.R.C. 3446.9, for the reservation of an additional 0.886-acre parcel of sovereign land in the Klamath River, Del Norte County (for the protection of a State highway).

Motion is in order.

MR. SHEEHAN: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded, so ordered.

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

(a) William I. Moore -- Assignment of Grazing Lease P.R.C. 3065.2, San Bernardino County, to T. C. Ellsworth.

(b) William I. Moore -- Assignment of Grazing Lease P.R.C. 3232.2, San Bernardino County, to T. C. Ellsworth.
(c) Jess Doud -- (1) Amendment of Lease P.R.C. 542.1 by deleting present legal description and substituting correct legal description covering 0.19 acre tide and submerged land in Napa River, Napa County; and (2) issuance of a ten-year renewal thereof at annual rental of $150 (for maintenance of pier and float).

(d) Lindsey H. Spight, d.b.a. Diablo Communications Center -- Approval of sublease to Spear Enterprises, Inc., d.b.a. United Truck Line (for maintenance and operation of a mobile repeater).

(e) Glenn Shoemaker -- Issuance of two five-year recreational minor-structure permits, 0.098 acre tide and submerged land in Piper Slough, Contra Costa County, for fee of $25 for each site (for construction of floating boat sheds with walkways).

(f) A. A. Mikalow -- Issuance of three-year permit to perform salvage operations on abandoned State-owned wrecks in San Francisco Bay southwesterly of Angel Island, San Francisco County, at fee of $25 as consideration for issuance of permit and for first $500 received from salvage operations; thereafter, permittee to pay State 25% of gross receipts from all sales of material salvaged.

Motion is in order.

GOV. ANDERSON: On this item (f), Frank, is this the normal arrangement that has been made on this type of salvaging?
MR. HORTIG: Yes, sir. This is in accordance with established policies, rules and regulations of the State Lands Commission for salvage of treasure trove and other materials from State-owned tide and submerged lands.

GOV. ANDERSON: Have we had considerable number of these?

MR. HORTIG: No, sir. They are infrequent, sporadic. We have others for archaeological exploration.

GOV. ANDERSON: This is the first one I remember. Have there been others?

MR. HORTIG: Yes, there have been, previously. We will give you a report on the total number during the time you have been with the Commission.

MR. CRANSTON: Motion is in order.

MR. SHEEHAN: I move it.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved, seconded, so ordered.

Item 5 -- Oil and gas, and mineral leases and permits issued pursuant to statutes and established policies of the Commission:

(a) Standard Oil Company of California, Western Operations, Inc. -- Approval of Dry Gas Sales Agreement dated July 1, 1959, as modified by letter dated Nov. 23, 1964, between applicant and Pacific Lighting Gas Supply Company, as basis for sale of all dry gas marketed from State Oil & Gas Leases P.R.C.s 735.1, 1343.1, 1824.1, 2199.1, 2894.1, 3095.1 and 3150.1.
(b) Standard Oil Company of California, Western Operations, Inc. -- Deferment of drilling requirements, Oil & Gas Lease P.R.C. 2199.1, Santa Barbara County, through April 14, 1967. (Applicant feels that with more time for study of all data, further development of the structure may be attempted.)

(c) Texaco, Inc. -- Deferment of drilling requirements, Oil & Gas Lease P.R.C. 2725.1, Santa Barbara County, through April 11, 1967. (Results of a three-day seismic survey in January 1966 were unsatisfactory; applicant planning another seismic survey as soon as equipment is available).

(d) Union Oil Company of California -- Deferment of drilling requirements, Oil & Gas Lease P.R.C. 2991.1, Santa Barbara County, through March 13, 1967. (Next well to be drilled will require a floating drilling vessel capable of deep tests; none available at present.)

(e) Union Oil Company of California -- Deferment of drilling requirements, Oil & Gas Lease P.R.C. 2879.1, Santa Barbara County, through April 11, 1967 (to allow necessary time to acquire onshore properties and to prepare properly for development of the lease.)

Motion is in order.

GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

MR. CRANSTON: Approval is moved, seconded, and so ordered unanimously.

Item (f) Authorization for Executive Officer to
offer 320 acres State land in Owens Lake, Inyo County, for mineral extraction lease, at standard royalty rates. (Pursuant to application received from Morrison and Weatherly Chemical Products, who propose to scrape a thin crust of sodium sesquicarbonate, commonly called trona, from the dry lake surface, to be transported off and sold commercially.)

(g) Issuance of oil and gas lease to Tidewater Oil Company for approximately 124.23 acres of reserved mineral interests designated as W.O. 5990, Ventura County, in consideration of cash bonus payment of $249,698.57.

(h) (1) Determination that formation of Decker Island Unit No. 1 by Communitization Agreement dated March 15, 1966, and that the entering into and performance of the Operating Agreement dated March 15, 1966 (covering a portion of lands included within gas lease issued in exchange for Gas Lease Easement No. 415.1, Sacramento and Yolo counties), are in the public interest for the purpose of promoting conservation and preventing unreasonable waste; (2) approval of aforesaid Communitization Agreement and aforesaid Operating Agreement; (3) authorization for Executive Officer to execute the Joinder Agreement.

Motion is in order.

GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

MR. CRANSTON: Approval moved, seconded, so ordered.
Item 6: City of Long Beach (Pursuant to Chapter 29/56, 1st E.S., and Chapter 138/64, 1st E.S.)

(a) Determination that expenditure of approximately $85,000 by the City of Long Beach from its share of tideland oil revenues for the purchase of Beach Lots 11 and 12, Block 49, Resubdivision of Part of Alamitos Bay Townsite, is in conformance with the provisions of Chapter 138/64, 1st E.S.

(b) Informative only: City of Long Beach has met conditions placed by Commission upon approval of total trust expenditures of $150,000 for dredging of a portion of Alamitos Bay; staff audit indicates total actual trust expenditure was $129,739.55, of which $127,739.55 was expended from tideland oil revenues and $2,000 from non-oil revenues.

Motion is in order on (a) of Item 6.

GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

MR. CRANSTON: Approval is moved, seconded, so ordered.

Item 7 -- Land Sales (Cleared with all State agencies having a land acquisition program.) (a) Authorization for sale of two parcels of State school lands in Riverside County to Mark Armistead, Inc. at $9,377.10 for Parcel 1 containing 625.14 acres (appraised value, $9,377.10), and at $19,401 for Parcel 2 containing 640 acres (appraised value, $19,200.)

Motion is in order.
MR. SHEEHAN: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Approval is moved, seconded, so ordered unanimously.

Item 8 -- Boundary Agreements: (a) (1) Approval of boundary agreement with Huntington Pacific Corporation, establishing the ordinary high water mark at Huntington Beach, Orange County; and (2) authorization for Executive Officer to execute said agreement.

MR. HORTIG: Mr. Chairman, the staff just this morning, immediately preceding this meeting, received material questioning the staff recommendation with respect to the proposed approval before the Commission on this item (1) boundary agreement. Therefore, it is recommended that action on this item be deferred until the material received can be evaluated and a further report made to the State Lands Commission.

GOV. ANDERSON: I move it be deferred.

MR. SHEEHAN: I'll second.

MR. CRANSTON: Deferment is moved, seconded, so ordered.

Item 9 -- Administration and Litigation: (a) Authorization for Executive Officer to execute an agreement transferring control and possession for park purposes, but reserving mineral rights, from the State Lands Commission to the Department of Parks and Recreation, Division of Beaches and Parks, of 5.365 acres tide and submerged lands of the Pacific Ocean.
adjacent to Bolsa Chica State Beach in Orange County.

Motion is in order on that item.

MR. SHEEHAN: So move.

GOV. ANDERSON: Second.

MR. CRANSTON: Approval of that item is moved, seconded, so ordered.

(b) (1) Termination of Lease P.R.C. 3110.1, Suisun Pacific, Ltd., Suisun Slough near Suisun City, Solano County; and (2) authorization for Attorney General to take such legal action as is appropriate to secure payment of balance due the State under said lease.

MR. HORTIG: Again, Mr. Chairman, the staff received (airmail, special delivery) this morning a letter from the legal representatives for the parties concerned, with respect to the lease here proposed for cancellation -- making firm statements and urging that the Lands Division postpone action for a period of sixty days in the light of the fact that there is now pending a sale of the entire project, which would result in a continuation of the project and a payment to the State of back rentals, without the necessity of entering into litigation.

While this has been the procedure for over a year, and it is because of the fact that nothing has been accomplished in the year heretofore, the staff recommended this termination -- in view of this latest representation it is recommended that the Commission defer action on the
cancellation for a period of sixty days; but with the firm announcement that there will be no further deferment granted. If the project is made whole and the delinquent rentals are paid to the State and the problem is resolved, then -- excellent; otherwise, sixty days hence the action being recommended today would again be recommended.

GOV. ANDERSON: I move a sixty-day deferment under that stipulation.

MR. SHEEHAN: I'll second it.

MR. CRANSTON: Deferment is moved, seconded, and so ordered.

We approved item (a). We now move on to 10: Confirmation of transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1959.

Is there anything to report, Frank?

MR. HORTIG: I am sorry --

MR. CRANSTON: Under Item 10, anything to report?

MR. HORTIG: No, sir. These are again the routine renewals of geological and geophysical exploration permits, and other authorizations previously approved by the Lands Commission pursuant to rules and regulations and administrative policy.

MR. CRANSTON: Item 11 -- Informative only. No Commission action required. (a) Report on status of major litigation. Anything to report on major litigation?
MR. HORTIG: The Office of the Attorney General, our legal counsel, has a supplemental report.

MR. SHAVELSON: We received a letter from Mr. Marshall, the Solicitor General, concerning Federal claims to one-mile belts around Anacapa and Santa Barbara islands, based on the establishment of national monuments there.

We are making an investigation of their claim and consulting with representatives of other concerned State agencies such as the Fish and Game Commission and the Resources Agency and General Services, to see what action should be taken. There is a possibility of supplemental proceedings in the Supreme Court to test this question.

MR. CRANSTON: We now go to supplemental items.

Supplemental Item Number 13: Authorization for issuance of dredging permit to Sequoia Refining Corporation to dredge approximately 225,000 cubic yards of material, without payment of royalty, from 68.046 acres tide and submerged lands underlying Carquinez Straits, San Pablo Bay, Contra Costa County. Dredged material to be deposited on State lands in Carquinez Straits.

Motion is in order.

MR. HORTIG: If I might add, Mr. Chairman -- this project has also been authorized by the San Francisco Bay Conservation and Development Commission.

MR. SHEEHAN: I'll move it.

GOV. ANDERSON: Second it.
MR. CRANSTON: Approval is moved, seconded, and so ordered unanimously.

Item 14 -- Proposed Oil and Gas Leases. At the suggestion of staff, we will pass over item (1), which may consume more time than the other items. We will take that up at the end of today's session.

MR. HORTIG: Mr. Chairman, excuse me. Actually, items (1), (2) and (3) are all involved because they are all around San Miguel Island.

MR. CRANSTON: Item 15: Approval of documents for conveyance of production payments submitted to City of Long Beach by Pauley Petroleum Inc. and Allied Chemical Corporation, non-operating contractors of an undivided 10% share of the Long Beach Unit, Wilmington Oil Field, as follows:

1. Conveyance of production payment to Quadrangle Foundation, Inc.;
2. Security agreement, mortgage, deed of trust, and assignment of production payment by Quadrangle Foundation, Inc. to Alvin C. Johnson, Trustee for the First National Bank of Chicago;
3. Conveyance of production payment by Allied Chemical Corporation to Red Hill Oil Company;

Motion is in order.

MR. HORTIG: Mr. Chairman, the Office of the Attorney General has also advised that the Commission may properly
approve the documents as submitted; and the recommendation as it appears on page 57 of your agenda, the last paragraph, was written on the premise and conditionally dependent upon submission of additional requisite documentation -- which was received, in fact, on Friday.

Therefore, the last paragraph should read:

"The approval of the documents shall be subject to their approval by the City Manager of the City of Long Beach."

MR. CRANSTON: Motion is in order on the recommendation as revised by Frank Hortig.

MR. SHEEHAN: I'll so move.

GOV. ANDERSON: Second.

MR. CRANSTON: Approval is moved, seconded, and so ordered.

Item 16 -- Approval of Modification of the 1966 Plan of Development and Operation and Budget, Long Beach Unit, to change surface location of a proposed well.

Frank, what is that?

MR. HORTIG: As the Commission knows, from having full economic control under the budget with respect to operations and conduct of development of the Long Beach Unit, in connection with the approval of the original budget for 1966 wells to be drilled (the locations thereof) were all approved; and it is now found to be desirable from physical, geologic and geographic considerations to change the surface location of a proposed well. In order to accomplish this authorization
or modification, approval by the Commission is necessary.

GOV. ANDERSON: I'll so move.

MR. SHEEHAN: Second.

MR. CRANSTON: Approval made, seconded, so ordered.

Item 17 -- Approval of Modification of Cooperative Agreement Ranger Zone, Parcel "L" and Long Beach Unit, to change location of a proposed injection well.

The same?

MR. HORTIG: Same requirement.

MR. CRANSTON: Motion is in order.

MR. SHEEHAN: I'll move.

GOV. ANDERSON: Second.

MR. CRANSTON: Approval moved, seconded, so ordered.

Now, we have Supplemental Calendar Item 36 -- Application for assignment, mineral extraction lease P.R.C. 1500.1, and modification of Permit P.R.C. 3486.1, Marin County; Schultz Investment Company - W.O. 6235.

MR. HORTIG: If I may summarize, Mr. Chairman, the Commission will recall that at the meeting of July 12, 1966, there was discussion with the County of Marin with respect to authorization to dredge materials from State-owned lands and compensation to be paid to the State by the County of Marin.

The County of Marin has investigated and today brought in a letter-agreement by an existent State lessee, Schultz Investment Company, agreeable to assigning operating authorization to the County of Marin to operate under the
existing State Lands Commission lease.

In order to expedite the project for the County of Marin, it is, therefore, recommended that the Commission authorize the Executive Officer to approve the assignment of that portion of the area of the existing lease which is included in the Corte Madera Flood Control Dredging Permit P.R.C. 3486.1, previously authorized by the Lands Commission for the Marin County Flood Control and Conservation District, subject to the receipt of form of assignment that has been executed by Schultz Investment Company, the assignee in this case, the County of Marin, to be bound by the terms of the lease to the same extent as the original lessee and shall fulfill the bond requirements; to modify dredging permit P.R.C. 3486.1 to exclude the area assigned from P.R.C. 1500.1 and to include the same terms and conditions as are set forth in Mineral Extraction Lease P.R.C. 1500.1 in the County's dredging permit.

This procedure is acceptable to and will permit the County to proceed forthwith with the conduct of the operations they are anxious to undertake.

MR. SHEEHAN: I'll so move.

GOV. ANDERSON: Second.

MR. CRANSTON: Approval moved, seconded, so ordered.

One more supplemental item, Number 29 -- Salary of Executive Officer - Personnel.

Jack, do you want to bring up that matter?
MR. SHEEHAN: The Department of Finance Exempt Pay Section, through its Exempt Pay Memo No. 10-9, has revised the salary range for the position of Executive Officer, State Lands Commission, from $1642-1901 to $1709-1979, effective July 1, 1966.

It is recommended that the Commission approve the new pay range established by the Department of Finance for the position of Executive Officer, State Lands Commission, as of July 1, 1966, and the assignment of the Executive Officer, State Lands Commission, to the maximum salary range step effective July 1, 1966.

I'll so move.

MR. CRANSTON: Approval is moved; seconded?

GOV. ANDERSON: Does Frank have any objection?

MR. HORTIG: No, sir.

GOV. ANDERSON: I'll second it.

MR. CRANSTON: Approval is moved, seconded, and so ordered unanimously.

We have one other matter we might cover before we go back to Item 14, and that is the time and place of the next meeting of the Lands Commission and I believe we had a tentative date agreed on for the 25th of August, here in Los Angeles. Motion is in order to fix that as the next date.

MR. SHEEHAN: In Los Angeles?

GOV. ANDERSON: Whatever was agreed upon. I don't carry it around with me, but I know it was cleared with the
office and we are building on whatever you recommended.

MR. CRANSTON: My calendar shows it is Los Angeles. If it is Sacramento, it will have to be Sacramento. Let's clear it.

MR. HORTIG: We will verify that.

MR. CRANSTON: The principal matter is in Southern California, so it would seem to be appropriate that it be in Los Angeles.

MR. HORTIG: We received a communication from Mr. Charles Baldwin of the Joint Legislative Committee on Tidelands and Submerged Lands, who would like to make a general statement regarding dry gas pricing policy, pursuant to a study he is conducting. He would appreciate inclusion of this at any point in the meeting. Mr. Baldwin is here.

MR. CRANSTON: Mr. Baldwin.

MR. BALDWIN: Members of the Commission, the Joint Legislative Committee on Tidelands has been studying dry gas lease matters in the City of Long Beach pursuant to its mandate from the Legislature this year, and we have been negotiating with the Commission staff and with the people in Long Beach over a dispute in pricing at Long Beach. This dispute has been one of long standing, specifically since 1962.

I believe that the City and the State have come to substantial agreement on how to price the gas during the period which is under study. As an outcome of those meetings, it was agreed to by the staff and by the City to consider a
long-term policy of pricing gas on a less complicated method. Heretofore, the gas has been priced on a cubic foot basis and both the Commission staff and the City's staff have agreed that they would look into the possibility of pricing it on a BTU basis in the future.

The reason this issue came up is because Pacific Lighting, it is assumed, is going to switch over and price their gas on a BTU basis some time later this year. We don't know for certain that they are going to do this, but the staff of the Commission is certainly aware that they are considering this; and there is no problem, really, with pricing dry gas when the BTU is above the gas coming in from the border. However, when it falls below the rating of the gas coming from the border, then it becomes an issue.

I just wanted to make this general statement and bring it to your attention because I notice today the Commission has considered and, I believe, approved a dry gas sales contract between two lessees on State lands and there was no mention made of the consideration of the Commission staff of the long-term policy of pricing on a BTU basis.

I thought the Commission would like to be appraised of the position of the Committee and the staff at Long Beach on this issue.

MR. CRANSTON: Frank?

MR. HORTIG: The situation, as Mr. Baldwin has said, is an extremely complex one. Additionally, probably the crux
of the matter is that the contract under which discussions have been held with the City of Long Beach -- being a net profits contract and one in which the State is in a position to negotiate and is authorized by statute to see that the gas is priced in accordance with criteria established by the Legislature -- is an entirely different thing than consideration of approval of an independent contract made at arms length, negotiated with a third party, in which the State is not a party.

These are the terms and conditions and requirements for State oil and gas leases, as distinguished from a net profits contract. Naturally, if as and when conclusions are reached and a rational basis is established in connection with the Long Beach net profits contract in connection with pricing gas, the staff is going to give definite consideration to recommendation to the Commission for adoption of the same rational basis insofar as it may be applicable to future oil and gas leases issued by the Commission.

GOV. ANDERSON: There was no change insofar as it affects the State -- this was a transfer by one lessee to another concern?

MR. HORTIG: Yes.

GOV. ANDERSON: Are you recommending when we do this we step in to renegotiate the original contract?

MR. BALDWIN: No. I just wish to call to your attention that Pacific Lighting seems to be developing the
policy where they will pay for the gas on a BTU basis. These lessees may in the future desire to renegotiate their contract and the Commission may be in a position to either approve or disapprove the contract, plus they are dealing directly with the City of Long Beach; and because of the complexity of pricing dry gas in Long Beach, the staff has indicated they have been willing to give consideration to a long-range policy particularly in the new development on the new basis -- particularly in view of Pacific Lighting's switch, if they make it in the future.

MR. CRANSTON: No formal action is required?
MR. HORTIG: No.
MR. CRANSTON: Thank you very much.

We return now to the final item before us, Item 14, (1): Consider acceptance of bid made by Standard Oil Company of California, Humble Oil & Refining Company, and Atlantic Richfield Company for Parcel 41, tide and submerged lands, Santa Barbara County, in consideration of cash bonus payment of $101,214.

Frank, do you have anything to discuss on this?

MR. HORTIG: Yes, Mr. Chairman. As the Commission will recall -- and the following comments are equally applicable to subdivisions (1), (2) and (3) of Item 14 -- at the last meeting of the Commission where these lease offers were considered, the Commission directed the staff to proceed with further evaluation and determination of the full position of
the interested agencies -- particularly California State
Department of Fish and Game, the National Park Service, the
U. S. Department of the Interior, and to determine the status
of potential legislation which would tend to lead to the
establishment of a national park in the Santa Barbara island
chain, which national park concept might also include a buf-
fer zone of the surrounding tide and submerged lands.

The evaluation led to -- and I will only read a
summary of the important statements -- a letter from Stanley
A. Cain, Assistant Secretary for Fish and Wildlife and Parks,
addressed to you, Mr. Cranston, as Chairman. Mr. Cain states:

"I am not writing you in my official capacity
but as an apologist. I believe what I am
encouraging you to do will not seriously
interfere with the extraction of oil. Just
keep the drilling away from the shore a mile,
if possible."

Similarly, Mr. Thomas C. Poulter, Senior Scientific
Adviser and Director of the Biological Sona Laboratory of
Stanford Institute:

"Since I feel so strongly that operations
under consideration less than one mile from
the elephant seal rookery in San Miguel Island
would constitute a serious hazard to our ele-
phant seal population, I cannot urge too
strongly that no oil operation be permitted
closer than one mile offshore."

Professor Carl L. Hubbs, Professor of Biology,
Emeritus, Research Biologist, Scripps Institute of Oceano-
graphy, suggests:

"Certainly any commercial activities ashore or
immediately adjacent thereto would be dele-
terious to a very significant element in the
"wildlife resources of the State."

The State Department of Fish and Game reports with respect, particularly, as to whether there might be any adverse effect on the sea mammal rookeries, which was not a subject covered in the last report from the Department of Fish and Game, it having referred exclusively to fish. I quote:

"This Department would not oppose offshore facilities at least one thousand yards from the rookeries, but would not agree to shore installations until satisfied they were located and operated in such a manner that the sea mammal population would not be harmed."

Finally, a letter from R. B. Moore, Acting Regional Director of the National Park Service of the Department of the Interior:

"In addition to re-emphasizing the statements that have been previously submitted by Director Hummel to the Commission by letter at the last meeting, it is pointed out that five bills to establish the Channel Islands National Park in the State of California and for other purposes are now pending before Congress.

"These are HR 16190, Burton; introduced July 13, 1966; HR 16191, Dyal, introduced July 13, 1966; HR 16342, Holifield, July 13, 1966; HR 16416, Dingell, introduced July 21, 1966; HR 16425, Moss, introduced July 21, 1966."

Parenthetically, we understand as of this morning there are two more, so that the count is now seven.

Continuing with Mr. Moore's letter:

"All of these bills would include in the proposed national park the islands of Anacapa, Santa Barbara, San Miguel, Santa Cruz, and Santa Rosa...."
and I quote specifically:

"... together with submerged lands and waters within one nautical mile from the shore line of such islands."

In view of the condition of the record, therefore, Mr. Chairman, it is the recommendation of the staff that the Commission consider rejection of the bid offers received for Parcels 41, 45 and 46 adjoining San Miguel Island; and authorization to staff to proceed with a re-offering of all of the parcels outside the danger zone of San Miguel Island with a restriction that no surface operations would be conducted within any proximity closer than one mile of the shore of San Miguel Island.

This recommendation -- and if there were developments under these circumstances -- would meet completely the criteria which have been advocated by everyone who has appeared before the Commission in objection to the existent lease offers.

GOV. ANDERSON: I'll so move. I would like to inquire about the rigidity of the one-mile figure. I notice one there said one thousand yards. Is there a variance in the application of the one mile? Now, I can see one mile off of the shore, the Continental Shelf going out more gradually; where as you go out to the islands I can see it dropping sharply. Maybe I am wrong, but are we limited to the one mile? I don't want to see any harm to the wild life and, at the same time, I am sure we all want to get oil out
of there. How rigid are we on the one mile? How rigid is
that as far as the park program is concerned? I know you men-
tioned one mile several times.

MR. HORTIG: The crux and the principal support and
suggestion for the need for the one-mile buffer zone is that
this one-mile buffer zone is included in the legislation which
is pending before Congress -- that the one-mile zone be in-
cluded as part of the national park. Therefore, patently it
would not be desirable, from the viewpoint of the sponsors of
the legislation or any of the organizations that are support-
ing it, to have any operations for oil and gas development be-
ing conducted from the surface within one mile.

GOV. ANDERSON: Where do they get the one-mile
figure? Most national parks are not in the ocean -- they are
on land.

MR. HORTIG: There is a precedent, as Mr. Shavelson
pointed out, in connection with the letter from the United
States Attorney as to the matter of administration of the
one-mile protective zone heretofore established, or at least
directed, by the Secretary of the Interior around Anacapa and
Santa Barbara Island.

GOV. ANDERSON: Are those the only precedents in
the country where they have used the one mile? Is there any
other place where they have taken the one-mile figure, where
there is also oil development?

MR. SHAVELSON: Governor, to my knowledge, no.
This action was taken in 1949 after the Supreme Court had established that the United States had paramount rights in the area below low tide and before 1953, when the Submerged Lands Act conferred title in the State. I wouldn't say categorically "no," but I am almost positive.

GOV. ANDERSON: Then they just picked it out. They could have taken six thousand feet or one thousand?

MR. SHAVELSON: It is our understanding that they used this figure around Anacapa and Santa Barbara to include certain islets in the vicinity, such as Gull Island; and in order to include them, they decided they might as well include the intervening waters as well. The first recommendation was to reserve a belt, for example a mile; and then it became that by Presidential proclamation.

GOV. ANDERSON: Doesn't the land drop much faster around the island than it does off our shores?

MR. HORTIG: In general, yes sir; but there are still exceptions. There are some areas where the coast of the mainland drops off precipitously.

GOV. ANDERSON: In those waters where we are developing oil?

MR. HORTIG: Yes. As a matter of fact, that is why in some instances we have had to have ocean floor completions, because the water is too deep for platforms.

MR. CRANSTON: If we take this action, it would not preclude underwater drilling?
MR. HORTIG: We would propose that it would include underwater drilling if mechanically feasible.

MR. CRANSTON: I presume there are others who wish to be heard before we act. Is there anyone here who wishes to testify?

MR. WRIGHT: Yes. Mr. Chairman, Governor Anderson, Mr. Sheehan, my name is Henry Wright with the Western Oil and Gas Association.

You are well aware of the issues here before us today. Before you take some action I would like you to consider several points, which the industry would like you to weigh before you make a final judgment.

We have heard the impressive list of communications you have here. However, Friday afternoon our representative met with George Hartzog, Director, National Park Service, and Max Edwards, Legislative Counsel to Secretary Udall. At that time we were informed officially that the Department of the Interior has no position with respect to the Channel Islands, particularly San Miguel, in regard to harmful or completely-free-from-harm effects of oil and gas operations closer than a mile.

To the contrary, we have the statement of the California Department of Fish and Game which says that whereas the sea mammal rookery's needs should be studied, there is no harmful effect to the marine habitat.

The industry is concerned. As you know, the cards are on the table. A great deal of money has been spent in
evaluating the project. The secret information, the bid, has been laid out before the public. Now we have the possibility of rejection and I wonder if you can consider how much interest this land or any land around the islands is going to have now for the bidding groups.

Also, this one mile interests me. There is nothing in the correspondence, nothing we can find from Washington, that indicates there is a specific reason why this would be harmful. Our operations would be conducted on the surface. We don't like to have this restriction imposed at this time. Until such time that there is an oil field there, we don't have to worry about physical structures. That's a long way down the road.

The basic issue is: Whose advice do you follow -- the Department of Fish and Game, Director Shannon's, or the Federal authorities'.

Leadership in the National Park Service indicates that the Redwood National Park has much higher priority. The bills that have been introduced here will certainly die this year. Inevitably they will be re-introduced. This national park seems to be a political nut.

In a letter from Charles Teague, Congressman from the 13th District, he states:

"Several members of Congress from areas well outside the ones affected have introduced bills to take over the Channel Islands -- at Federal expense, of course -- and create a national park. I shall continue to maintain an open
"mind on this proposal."

"Of course, it has again been chosen as an issue in the upcoming campaign. I will discuss the subject again in the weeks and months to come. In the meantime, and subject to being convinced that I am wrong, I suggest that the average person would prefer that his share of his tax payments to Uncle Sam for recreational purposes be devoted to bigger and better national parks, forests and beaches that can be reached by motor vehicle, foot, or horseback. Very few of our taxpayers can afford the airplanes or rather substantial boats (a put-put won't do) or yachts which are required to get over the often treacherous waters between the mainland and the Channel Islands.

"There are other problems, such as lack of fresh water supply on the islands, the cost of adequate breakwaters, et cetera, which must be resolved before this should qualify as a desirable and practical proposition."

We would like to go into the area -- that is, the bidding groups would -- and explore for oil. If there is oil, the State is protected by a substantial royalty provision. If you turn these leases down, you are turning your back on $390,000. I don't think the fiscal condition of the State of California can afford that.

Beyond that, the Federal Government has indicated they will conduct exploration next year. I am sure they won't be as considerate of you as you are of them. At that time it is quite possible that any future leasing of California land, if this type of practice continues, would be considerably less than it is today.

Beyond this, and our study is certainly not as acute as that of the great names read off in the correspondence...
read by Mr. Hortig, we find that the sea lions off San Miguel
the sea elephants, do three things: They bask in the sun,
eat the fish, and they make love. There is one thing the oil
industry is in favor of and that is love, and we have no
interest in preventing the sea elephants from making love.

It is very interesting that the Federal Government
looks at the sea lions very differently than California.
Under certain conditions a sea lion may be killed here in
California if he interferes with a commercial catch. There is
a very interesting case right now before the courts, wherein
a fisherman was arrested right over the line for shooting a
sea lion. The State of California is putting up a defense
for the fisherman.

I would suggest there is much to be done in the way
of study. The California State Department of Fish and Game
are certainly no dummies. Mr. Shannon would certainly not
put his name to any statement he did not believe. The
Department would like to investigate this and certainly the
oil industry would like to look into it, too.

We don't intend to disturb that rookery. On the
other hand, that national park seems to be a long way down
the road. On Padre Island we not only have operations on-
shore, but adjacent to it; and everybody uses Padre Island
and is very happy. Such will not be the case on barren
San Miguel.

All I can say -- Certainly, you have a very
difficult decision in balancing the interests. I realize the conservation people have their pleas; we have ours. But a valid lease offer has been made before you. I don't believe the question of the one-mile setback has been sufficiently documented to require you to turn down these leases on that basis.

If you do not turn them down, I assure you we will be happy to work with Fish and Game and Wild Life. The national park is still far down the road and we hope by then there are commercial deposits of oil found around the Channel Islands. But we can't continue in this method, exposing these competitive bids like this and then have them thrown back in the oil companies' faces without having some repercussion.

Thank you.

GOV. ANDERSON: Mr. Wright, I am aware of our problem. I don't like what we are doing, either. I think this should have been worked out months ago by staff and these things brought out in the bidding arrangement; but after it came before us, almost by accident we asked some questions and this thing developed this way. We then asked whether this could be worked out so the rookeries and the other wild life out there, whatever there is out there, could be protected. At that time the industry said it didn't want to be bound by any compromise after they had bid.

MR. WRIGHT: That still stands.
GOV. ANDERSON: Now you say you are willing to do something to protect them. I don't see anything we can do now except reject it and turn it back to staff and try to work out some arrangement so we know the rookeries and the wild life are protected, and we are still able to get the oil out.

I am aware of the problem -- the fact we offered something and you made an honest bid. Now we say we don't want to accept it, but it is because something has come up that we were not aware of when the offering was made.

I sure don't want to jeopardize you people in your drilling or exploration, but I sure don't want to jeopardize the wild life or these sea lions, whatever their practices are. I do think we have a real responsibility to protect some things that are peculiar to California, those that are unique and you don't find in other states; and I think we have the responsibility to the wild life conservationists, as we have to you.

I see no alternative but to pass this motion and pass it back to staff, and have them come in with something. I don't know whether one mile is the right figure, but we have to work out something.

MR. WRIGHT: I am glad you recognize the principle and I appreciate you are not enjoying what you are about to do. I can't speak for this bidding group as to what their reaction would be if these parcels were re-offered. Actually,
the rookery, per se, is on Parcel 46 -- not 41 and 45. On
46, unfortunately the rookery is onshore.

MR. CRANSTON: May I comment on this situation?

I fully agree with you that it would be totally im-
proper for the Lands Commission to seek to change the speci-
fications in any way after a bid had been offered and the
bids had been received.

The earlier action that we took was simply to ask
you to see if it would be possible for you to agree in any
way to handle the development in a way that would not inter-
fere with the islands and their possible inclusion in a park
or otherwise; but we did not wish to exert any pressure on
you. I do not think we did, and we certainly cannot ever set
a precedent for changing specifications.

On the other hand, I think we always have the oppor-
tunity to consider if we wish to accept bids. The bids are
not particularly of a large size. The situation would be
quite different if the bids were greater than the relatively
low bids we received. We don't know what is there.

I regret deeply that we were not fully informed at
the time we offered these bids of this aspect of the situ-
tion; and for that I think a number of people are responsible.
The conservationists' group did not bring this to our atten-
tion until a late date and the staff did not bring to us the
interest of the conservationists, and I blame myself as
Chairman for not being aware of this.
I think if we do reject it now, I think we should give consideration to the timing. Possibly we should wait until the Federal leases are offered.

I would reserve judgment at this moment on the one-mile limit -- whether it should be one mile or something else.

I fully agree with you the bills in Congress do not mean much. I do not think they will be acted on in this session. Ultimately they will come up again, primarily because in the United States we have this tremendous need for space. Perhaps we need some vanishing ruggedness where people can get away if they choose to get away.

We know the population growth is fantastic; that the pressure is tremendous to preserve some part of the landscape in its original form. I think one thing that escaped our attention in the beginning was the rather unique position of this island, the history that is supposed to be on that island, the bald eagle. There are all sorts of issues that did not come before us.

I deeply regret that this problem has developed and I myself, as well as the staff, favor this recommendation.

MR. WRIGHT: Of course, there is one alternative. I don't think the representatives here can make decisions off the top of their heads, but eventually they are going to sit down with the staff. Whether that will be considered, I don't know.

MR. CRANSTON: Consider what?
MR. WRIGHT: Sitting down and working this out at this time.

MR. CRANSTON: I gather from comments you made and others have made, that as to that procedure it is more abhorrent to the industry that we change the specifications than if we reject the bids outright.

MR. WRIGHT: It is.

MR. CRANSTON: So I would be a little hesitant to enter into that procedure unless there is very strong evidence presented from the industry that we were not setting a precedent in a dangerous way. The actual fact is if we don't change the specifications, the bids are going to be what you think they should be and that is not going to be basically changed if we act in a rational manner.

MR. WRIGHT: Anything but a rational manner will have to result in a discount of the bids. On the other hand, I do thank you for your time.

MR. CRANSTON: I want to say on that point I think we have all been impressed with the way you have presented this case and we appreciate your understanding of the difficulties we have in this matter.

Is there anyone else who wishes to be heard?

(No response)

There was a motion that was not seconded so far.

GOV. ANDERSON: I move it.

MR. SHEEHAN: I will reluctantly second it.
MR. CRANSTON: The motion to reject the bids has been moved and seconded. Is there any further discussion? If not, I join in voting for the motion and the action is unanimous.

I think that completes the agenda for today.

MR. HORTIG: Mr. Chairman, the secretary has brought to my attention that while there was a question on Calendar Summary Item 10, confirmation of transactions consummated by the Executive Officer, there was no motion for confirmation.

GOV. ANDERSON: I'll move it.

MR. SHEEHAN: Second.

MR. CRANSTON: I join the motion and praise the secretary for her alertness.

ADJOURNED 11:15 A.M.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, hereby certify that the foregoing thirty-five pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held at Los Angeles, California, on August 8, 1966.

'Dated: Los Angeles, California, August 11, 1966.

Louise H. Liclic
Reporter, Office of Administrative Procedure