TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA
October 27, 1966
MEETING OF
STATE LANDS COMMISSION

October 27, 1966
Los Angeles, California

****

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
Mr. N. Gregory Taylor, Deputy Attorney General

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### Next Meeting

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MR. CRANSTON: The meeting will please come to order. Lieutenant Governor Anderson has sent word he will be with us almost at once.

Item Classification 2 - Permits, easements, and rights-of-way to be granted to public and other agencies at no cost, pursuant to statutes.

Applicant (a) Lake County Board of Supervisors -- Permit to dredge approximately 1300 cubic yards of material from a portion of the bed of Clear Lake, Lake County, to provide an entrance channel for a proposed harbor; spoils to be deposited upon adjacent county park lands.

(b) Moss Landing Harbor District -- Permit to perform maintenance dredging by removing approximately 2,000 cubic yards of material from bed of Moss Landing Harbor in Monterey County. Material to be deposited on a low-lying area adjacent to Moro Cojo Slough in an effort to reclaim the area.

(c) Sacramento Municipal Utility District -- 49-year life-of-structure permit, 0.027 acres sovereign land in bed of the American River, Sacramento County, approximately seven miles easterly of City of Sacramento, to construct a 12-kv power line to service the Arcade Water District; underground line not feasible due to prevalence of washouts in the area in periods of heavy weather.
(d) San Diego Unified Port District -- Permit to dredge approximately 640,000 cubic yards of material from tide and submerged lands in bed of San Diego Bay, San Diego County, to facilitate construction of needed marinas and other small-boat anchorages; dredged material to be deposited in two different areas under jurisdiction of the San Diego Port District which are within an area granted to the City of San Diego.

(e) County of Santa Clara -- 15-year lease, 0.109 acre ungranted sovereign lands in Steamboat Slough within the City of Alviso, Santa Clara County (for use in connection with the operation of a County-owned small-boat marina), with the understanding that no fee or rental will be charged while the land is used for public parking, but that if the land is to be used for any other purpose or a fee is to be charged, the County must obtain prior consent of the Commission and rental will be charged.

(f) County of Solano -- 49-year right-of-way easement, 1.35 acres tide and submerged lands in Cache Slough, Solano County, for the construction and proper maintenance of a bridge for public use.

MR. SHEEHAN: I'll so move.

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

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

(a) Holly Sugar Corporation -- Seven minor-structure permits, four to expire November 20, 1969, three to expire December 31, 1966, in Cache, Lindsey, Haas, and Steamboat Sloughs, Solano County; in the Mokelumne River, San Joaquin County; and in the Sacramento River, Sacramento County, for a fee of $100 each (for the operation and proper maintenance of beet-receiving stations.)

(b) John S. Smith, d.b.a. Tahoe Cedars Lodge -- Five-year commercial minor-structure permit, 0.021 acre submerged land in Lake Tahoe, Placer County, for a fee of $100 (for proper maintenance of an existing ...) .

(c) George W. Ladd -- One-year renewal of Lease P.R.C. 400.1, 2.34 acres tide and submerged lands in old channel of San Joaquin River, San Joaquin County, at total rental of $280.80 (for floating boat sheds and marine ways). Area granted to City of Stockton in 1965, but grant will not be effective until recordation of a survey, which will be completed in 1967.

(d) Oil Terminals Company -- Ten-year replacement lease, 0.08 acre sovereign land in Alviso Slough, City of Alviso, Santa Clara County, at annual rental of $714 (for continued operation of an existing petroleum receiving dock in conjunction with a petroleum tank farm).

(e) Santa Catalina Island Company -- 15-year lease of 29 non-contiguous parcels of tide and submerged lands at
Santa Catalina Island, Los Angeles County, at annual rental of $19,217.86, replacing Lease P.R.C. 185.1, covering 17 parcels at annual rental of $1,643.40 which was issued to cover installation of mooring buoys on various coves to provide anchorage for small craft.

(f) Pacific Gas and Electric Company -- 15-year easement, 1.17 acre ungranted tide and submerged land in Mad River Slough three miles west of Arcata, Humboldt County, at annual rental of $77.45, for overhead power transmission line to supply electricity for two pulp mills, a plywood mill, a coast guard station, and the towns of Manila and Samoa. (Installation of line has been completed).

(g) Pacific Gas and Electric Company -- 15-year lease, 0.115-acre strip of land 25 feet wide extending across the Tuolumne River, Stanislaus County (to construct and maintain a buried 12" gas line across the Tuolumne River near Modesto), at annual rental of $30.45.

(h) Southern California Gas Company and Southern Counties Gas Company -- Four gas-line right-of-way easements over State-owned and accreted lands of the Colorado River, Riverside County, totaling 8.537 acres, at total annual rental of $460.09. (No structures of any kind will be located within the rights-of-way, with certain critical areas to be fenced and marked).

(i) Southern California Gas Company and Southern Counties Gas Company -- 15-year lease, 12.19 acres State
school lands, Riverside County, subject to five access easements for road purposes, at annual rental of $161.53 (pipeline easement).

(j) Southern California Edison Company -- Six 15-year easements, State school land, San Bernardino County, for overhead wire crossings (for which underground systems are not technically feasible at present), as follows: (1) 41.67 acres, total rental $1,303.80; (2) 20.5 acres, total rental $732.90; (3) 41.1 acres, total rental $1,285.95; (4) 47.1 acres, total rental $1,473.60; (5) 26.6 acres, total rental $832.20; (6) 30.87 acres, total rental $964.20.


MR. SHEEHAN: I will move the approval.

MR. CRANSTON: Approval moved and seconded; and if there is no discussion, it is so ordered.

Item Classification 4 -- Oil-and-gas and mineral leases and permits issued pursuant to statutes and established policies of the Commission:

(a) Humble Oil & Refining Company -- Authorization for Executive Officer to approve Dry Gas Sales Agreement dated Dec. 27, 1965, between applicant and Pacific Lighting Service and Supply Company, as basis for sale and delivery of
Humble's share of dry gas marketed from State Oil & Gas Leases P.R.C.s 91.1, 186.1, 919.1, 920.1, 1824.1, 2207.1, and E. 400.1 and E. 401.1, Santa Barbara County.

(b) Humble Oil & Refining Company, Standard Oil Company of California, and Sunray DX Oil Company -- Acceptance of quitclaim and termination of Compensatory Royalty Agreement P.R.C. 1559.1, covering State lands in the bed of the Sacramento River in the Llano Seco area, Glenn and Butte counties.

(c) Shell Oil Company -- Execution of Compensatory Royalty Agreement covering lands in the Gill Ranch Gas Field, to protect the State's interest in portions of the bed of the San Joaquin River and associated water courses, Madera and Fresno counties.

(d) Morlyn Oil Company -- Approval of assignment of production payment in State Oil and Gas Lease P.R.C. 429.1, Ventura County, to Cambrian Oil Co. and Tina Minerals Corp.

(e) Capitol Oil Corporation and Bruce D. Brooks -- Deferment of drilling requirements, State Oil & Gas Lease P.R.C. 3501.1, Grey Lodge Waterfowl Management Area, Butte County, through June 14, 1967. (Fish & Game Commission has indicated no drilling operations can be conducted until late May 1967 due to flooding and incoming waterfowl flights.)

(f) Phillips Petroleum Company -- Deferment of drilling requirements, State Oil & Gas Lease P.R.C. 2207.1, Santa Barbara County, through June 21, 1967. (Regional
geophysical data from area adjoining the lease recently obtained and is currently being studied in conjunction with the latest geological information from within the lease area and the adjoining areas.)

(g) Standard Oil Company of California -- Deferment of drilling requirements, State Oil & Gas Lease, P.R.C. 1824.1, Santa Barbara County, through June 9, 1967 (to allow sufficient time to obtain suitable drilling equipment).

(h) Standard Oil Company of California -- Deferment of drilling requirements, State Oil & Gas Lease P.R.C. 2894.1, Santa Barbara County, through June 27, 1967 (to continue combined geological and engineering study of the field that may lead to additional drilling of exploratory wells to other prospective zones on the lease).

(i) Authorization for Executive Officer to issue a mineral extraction lease to the Pittsburgh Plate Glass Company on 3,531.20 acres sovereign lands in Owens Lake, Inyo County, at annual rental of $2.50 per acre and minimum royalty rate of 50¢ per ton or 2% of the average bulk value received f.o.b. the plant at Owens Lake, whichever is greater.

(Lieutenant Governor Anderson came into meeting at this point.)

MR. SHEEHAN: I'll move approval.

MR. CRANSTON: Approval is moved, seconded; without discussion, so ordered.

Item Classification 5 -- City of Long Beach (Pursuant to Chapter 29/56, 1st. E.S., and Chapter 138/64, 1st E.S.):
(a) Approval of estimated subproject expenditures from 10/27/66 to termination of $45,000, with $38,700 (86%) estimated as subsidence costs, for raising of "W" Strip and Seaside Boulevard on Terminal Island; and raising and relocating water facilities (2nd phase).

(b) Approve "Cooperative Agreement for Water-Injection Operations Long Beach Unit and Standard," between the City of Long Beach acting both in its capacity as unit operator of the Long Beach Unit and in its municipal capacity, and the Standard Oil Company of California.

(c) Approve an interim price of $0.2750 per mcf to be paid the State for tideland dry gas received by the Municipal Gas Department of the City of Long Beach during the period August 1965 through December 1966, pending final price determination and settlement.

(d) Approve the action by the Executive Officer consenting to a modification of the 1966 Plan of Development and Operations, Long Beach Unit, changing the bottom-hole location of Well J-115 to the revised coordinates set forth in the Long Beach City Manager's letter dated September 22, 1966.

(e) Agree with the City to waive for the present time the specification of (a) the surface and bottom locations of the wells to be drilled during 1967; (b) the drilling schedule of the wells to be drilled during 1967; (c) the range of rates of production for the production of wells to be drilled during 1967; and (d) the range of rates and
pressures of injection for the injection wells to be drilled
during 1967; and approve the 1967 Plan of Development and
Operations and Budget, Long Beach Unit, adopted by the City
Council of the City of Long Beach on September 20, 1966.

MR. SHEEHAN: I will so move.

GOV. ANDERSON: Second.

MR. CRANSTON: Approval is moved, seconded; without
discussion, so ordered.

Item Classification 6 -- Land Sales (Cleared with all State agencies having a land acquisition program.):

(a) Authorize the sale to Frank V. Amaral of 40 acres State school land in San Bernardino County at $10,640 (appraised value $10,000).

(b) Authorize the sale to the County of Riverside, without advertising, of 640 acres State school land in Riverside County at $19,200, the appraised price.

(c) (1) Find that Lots 3 and 4 of Section 31, T. 36 N., R. 16 E., M.D.M., containing 78.64 acres in Lassen County, are or have been occupied by P. C. Fredericksen or his predecessors since prior to 1927, thereby bringing the sale of the lands within the provisions of Section 2303(d) of Title 2, Division 3, of the California Administrative Code; and (2) approve the sale of said land to P. C. Fredericksen at $3,774.72, the appraised price.

(d) (1) Reject application of Keith W. and Roger L. Alderman to select vacant Federal land in Tuolumne County,
1 and direct return of the deposits currently held under the
2 application except for applicable filing fees; and (2) direct
3 withdrawal of Lots 10, 11, 20 and 22 of Section 6, T. 1 N.,
4 R. 14 E., and Lots 21 and 25 of Section 31, T. 2 N., R. 14 E.,
5 M.D.M. from State Exchange Application No. 68 currently pend-
6 ing with the U. S. Bureau of Land Management.
7
8 GOV. ANDERSON: I will move it.
9
10 MR. SHEEHAN: Second.
11
12 MR. CRANSTON: Approval is moved, seconded; without
13 discussion, so ordered.
14
15 Item Classification 7 -- Proposed Annexation:
16 Authorize the Executive Officer to notify the City Council of
17 the City of Sand City, Monterey County, that the Commission
18 has determined the present value of State-owned tide and sub-
19 merged lands to be annexed under the proposed annexation,
20 designated as "Annex of Tide and Submerged Lands to Sand City,"
21 to be $2,401,000.
22
23 GOV. ANDERSON: So move.
24
25 MR. SHEEHAN: Second.
26
27 MR. CRANSTON: Approval is moved, seconded; there
28 being no discussion, it is so ordered.
29
30 Item Classification 8 -- Approval of Maps and Boun-
31 dary Agreements: (a) Authorize Executive Officer to approve
32 and have recorded Sheets 1 through 6 of 6 of maps entitled
33 "Grant to the City of Oceanside, Vicinity of Oceanside, San
34 Diego County" dated June 1966.
(b) Approve boundary agreement with Huntington Pacific Corporation, establishing the Ordinary High Water Mark at Huntington Beach, and authorize the Executive Officer to execute said agreement on behalf of the State.

GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

MR. CRANSTON: Approval is moved, seconded; without discussion, it is so ordered.

Item Classification 9 -- Administration: (a) Authorize Executive Officer to terminate Lease P.R.C. 2214.1, covering submerged lands in the Sacramento River, Colusa County, for nonpayment of rent, and authorize the Attorney General to take such legal action against Maurice D. Schott and Helen E. Schott, and Mr. and Mrs. H. F. Moore, and any other parties in interest, as is appropriate to secure payment of the balance due to the State and to remove all parties from the State-owned lands.

GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

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

Item Classification 10 -- Informative only, no Commission action required: (a) Report on status of major litigation.

Anything to report?

MR. HORTIG: Nothing in addition to the record data
that is submitted in the agenda item. This is to keep a
current inventory in the hands of the Commission as to the
status of litigation.

MR. CRANSTON: The next item is the date, time and
place of the next Commission meeting, but that is not the
final item. We have supplemental items. However, the next
meeting is scheduled for Thursday, November 17, 1966 at ten
a.m. in Sacramento. If there is no objection that will stand.

What have you done about the December date, Frank?

MR. HORTIG: We are still working on it.

MR. CRANSTON: Number 12 -- Report on oil slick
occurrences, Long Beach-Huntington Beach area.

Frank, would you report on that?

MR. HORTIG: Yes, Mr. Chairman. I believe the most
effective and expeditious method of reporting on this matter
would be if I were to read the covering agenda item for the
benefit of the people in attendance.

Historically, the largest oil slick observed off
the southern California coast was first reported to the U. S.
Coast Guard at 7:15 a.m. on August 6, 1966, by a pleasure
craft that radioed its position as eight miles from the east
end of the Long Beach breakwater. At 3:35 p.m. a Coast Guard
40-boat and helicopter were dispatched to investigate. The
slick at that time was reported to be one-half mile wide at
a position one and one-half miles east of Alamitos Bay en-
trance and one mile offshore, extending to one and one-quarter
miles wide off the Long Beach breakwater entrance.

The slick had reached Humble's and Standard's offshore drilling islands (Monterey and Esther) by 6:30 p.m., and at that time, due apparently to shifting winds and breaking effects of the islands and breakwater, proceeded to spread throughout a large area. It reached its greatest extent on August 8, when it extended from Pier "J" in Long Beach to just north of Huntington Beach at Bolsa Chica Beach. At that time it lay both inside and outside of the breakwater, and was estimated to cover approximately 20 square miles. The slick was not continuous, however, and was broken by spaces of clear water. By August 10, the slick had essentially dissipated itself on the beaches, and on August 16 a canvass by State Lands Division of all beach cities indicated that the beaches were clean, although some residual color bleeding from the breakwaters was expected to continue for some period.

It has not been possible to make an accurate quantitative estimate of the oil in the slick. In the subject instance, quantities have been variously estimated as being from a few barrels to as much as 750,000 gallons. The Department of Fish and Game has estimated "thousands of barrels," citing experience gained from observing an average of 20 harbor spills per month.

Various origins of the material were suggested in the early stages of the investigation. These included tanker bilges, breaks in pipelines servicing offshore platforms,
casing failures on offshore wells, operator failure on offshore platforms, submarine seeps, and so forth. Preliminary conflicting laboratory analyses by various organizations served only to confuse the issue.

The companies with tideland oil production from the area reported that an inspection of their lines indicated no breaks. An inspection of shipping-pressure charts and production reports by State Lands personnel has indicated no sudden pressure losses or production losses, as would occur if a line ruptured. Furthermore, if tideland production had been the source of the slick, the slick should have been first noted shoreward of the development islands and platforms, instead of seaward as was the case.

A review of major waste-water outfalls was made in conjunction with the State Regional Water Quality Control Boards. Although surveillance of these outfalls is only on a periodic basis, their nature and location is such that they could not be considered sources of the slick material.

A Navy oiler, recently arrived from New Orleans, had been sighted in the vicinity at the time of the original oil slick sighting. Subsequent discussions with the Captain of the vessel and other crew officers indicated that they had been in the area, had been transferring fuel from their cargo tanks to their fuel tanks, had spilled no oil, and had seen no oil on the water. The vessel rebunkered after arriving at Terminal Island, making it impossible to obtain a sample
of the fuel from the ship which had been loaded at New Orleans. Through the efforts of the Western Oil and Gas Association, a sample of the fuel was obtained from the original vendor in Louisiana.

Because of the conflicting analyses from various sources, the Division concluded that it was imperative to have independent analytical determinations. A survey of laboratories in California led to the conclusion that the only laboratories equipped to perform the complete analytical work were the research subsidiaries of the various producing oil companies. Therefore, three coded unidentified samples were delivered to a local independent commercial laboratory for preliminary analyses, and to an out-of-state laboratory for more detailed procedures. Those samples were:

1. A sample of the fuel oil delivered to the Navy oiler at Algiers, Louisiana, on June 16, 1966;

2. A sample of the oil slick occurring on August 6, 1966, which had been obtained by the Coast Guard and delivered to State Lands on August 23, 1966 by the Department of Fish and Game;

3. Crude oil produced from a platform operated by one of the State's offshore lessees that had been listed as a possible source of the oil slick.

Through mass spectrometer, gas chromatography, and spectrographic analyses, these independent laboratories have concluded that the oil slick that occurred on August 6, 1966 was:

First -- not a crude oil;
Second -- not similar to the Navy special fuel oil used to fuel the Navy oiler that had been under suspicion;

Third -- not from the State lessee from whose platform the crude oil sample was taken;

Fourth -- probably a blend of highly aromatic and/or thermally cracked bunker fuel with two different cut-back stocks;

which resulted in the final conclusion that this refined product was very unlikely to have been refined from a California crude oil. In other words, the source material was from outside the State of California.

Inasmuch as the slick material was not similar to the fuel oil delivered to the Navy oiler at Algiers, Louisiana, the source most obviously must have been from another and as yet identified vessel; which, incidentally, does not close the case completely in that the Coast Guard and the Pollution Patrol of the State Department of Fish and Game would still like to identify that as yet unidentified substance.

GOV. ANDERSON: Frank, we have done quite an investigatory job on this. Were the investigations conducted by our Lands Division? Is this a normal procedure to go into it this extensively?

MR. HORTIG: Well, Governor, it is a normal procedure to go into it; but the investigations in connection with this slick occurrence -- which, as was stated, was the largest one that had occurred on the California coast -- have been
far more intense and of greater depth than were conducted previously; and this followed expressions by you, as a member of the Lands Commission, on August 8th and following the field reconnaissance of the problem which you conducted on August 9th.

GOV. ANDERSON: During the time I was down there we received some -- I don't want to use the word "criticism," but that's what it was, because we were at that time depending to a great extent on the laboratories of the oil companies. I think you have in this report that you went outside, to outside laboratories; and there seemed to be some criticism that we should have our own facilities. I think you might comment on that, the cost problem if we were to have our own laboratory set-up.

MR. HORTIG: Actually, Governor, in conformance with the discussions which resulted from the press conference which you had held at Long Beach, which I recall was about August 23rd, at which time it was decided the State Lands Division would study procedures, methods of solution and identification, to expedite identification particularly in the future if an accidental oil spill from an offshore operation would occur (which was not the case here) -- because of that discussion and that commentary after a press conference, the follow-up in the State Lands Division has resulted in programs being under way and studies being conducted that will assure in the future minimization of possibility of offshore oil
contamination and certainly limit the degree of any even accidental pollution if there should be an accidental break.

Specifically, to cover this, there are under consideration right now and orders are being written for certain supplemental equipment for the Division's laboratories at Huntington Beach, which will permit a rapid gross analysis and determination of whether we are dealing with a crude oil, refined oil or bunker oil in the future; and additional peripheral equipment will be added to the gas chromatograph which was already on order by the State Lands Division -- which will permit more detailed analysis in the future by Division personnel. It will give us answers in terms of days, where this last major situation, utilizing the facilities of independent facilities, took us weeks to get the answers.

Already, and as a result of this more intense investigation in greater depth, as I stated, than had ever been applied before -- and which was logical since this was also the largest oil spill with which we had ever had to deal -- improved liaison and more rapid communication channels have already been established with the Pollution Patrol of the California Department of Fish and Game and the United States Coast Guard.

GOV. ANDERSON: In other words, as a result of this -- even though the report says that it is very unlikely to have been an oil refined from California crude and it is obvious from this report it is not identified with any of our lessees
or anything connected with the State -- even though that has been determined, the side effect is that we have made some progress to minimize any possibility of pollution from our lessees in the future. Is that what you are, in a sense, telling us?

MR. HORTIG: This is correct, Governor. If I might amplify one more point: In conjunction with the engineers of our lessees we will also be reviewing the current state of the art as far as technological developments are concerned, to be certain that on State offshore operations the most utilization is being made of leak detection and safety shutdown instrumentation; so that everything that is in being in terms of instrumentation or equipment that could assist in assuring the maximum safety of operations will actually be in use, and not merely on the drawing board.

GOV. ANDERSON: Now, apparently, then, this would conclude our connection with this particular spill. It now goes to the Coast Guard or the Navy, who will follow up on this and try to establish who the culprit is.

MR. HORTIG: The U. S. Coast Guard and the Pollution Patrol of the Department of Fish and Game.

GOV. ANDERSON: I see here the Department of Fish and Game estimates an average of twenty harbor spills per month. Is there anything being done to cut that down, to eliminate that? -- because this is a source of problem for quite a while, not to the extent of that last one, of course.
Is there anything that can be done to police this particular problem better?

MR. HORTIG: This, of course, is a very serious problem with the Coast Guard and Pollution Control.

If the Chair would call and ask if there is either a Coast Guard representative or a representative of Fish and Game here, they are of course directly related with and battling with this problem on a daily basis. I think it would be helpful to the Commission if they could comment on that and answer the question.

GOV. ANDERSON: When I am confronted with this, the same as the other public officials, when we say it is not our responsibility any more but it is the responsibility of the Coast Guard and Fish and Game, the average person does not really distinguish between us. They want to know what we are doing about it. I want to know what to tell them about policing these harbor spills.

Is there someone here?

(No response from audience)

MR. CRANSTON: Why don't we ask for a report?

GOV. ANDERSON: I'd like to get something more done in this particular field, even though it is not our individual or Commission responsibility, because I am confident we are going to get blamed or at least identified with every spill that occurs.

MR. HORTIG: We are, of course, guilty by association with the oil.
MR. CRANSTON: Frank, will you ask them to report back to us in writing?

MR. HORTIG: I certainly will, Mr. Chairman.

MR. CRANSTON: That concludes this item, so we move on to Item 13 -- Proposal of the City of Long Beach to expend tideland oil revenues for the modification of the Navy Landing (preliminary estimate, $850,000).

Frank, do you have any comment on that item?

GOV. ANDERSON: I'd like to have him comment a little bit on each of the supplemental items.

MR. HORTIG: The Commission, with its familiarity with operations at Long Beach, will recall the construction of a very fine facility entitled the Navy landing, at a time when it was anticipated that the Navy would continue to use these facilities as provided by the City of Long Beach, which were built out of the City's share of tideland oil revenues.

Modification of operational procedures by the Navy has resulted in a disuse of the Navy landing facility and, therefore, the commercial establishments which were to operate in conjunction with the fleet landings have been unable to continue operation in the building.

(Mr. Sheehan left meeting at this point)

MR. HORTIG: (continuing) The City of Long Beach now has what appears to the staff an excellent opportunity to secure a tenant for the building after expending additional tideland oil revenues (but only the City's share of
the tideland revenues) to make these modifications in what
they propose to lease to North American Aviation to establish
a center oceanological research and development within the
facilities -- which is, of course, a tremendous improvement
from the practically vacant condition in which the building
is today.

Therefore, the staff emphatically recommends ap-
proval of this proposal by the City of Long Beach.

GOV. ANDERSON: I think this is a fine thing, but
does this use completely comply with the trust?

MR. HORTIG: Yes, it does. It is within the trust
provisions and has so been identified and approved by the
Office of the Attorney General.

MR. SHAVELSON: I believe it is our opinion it does
come within the provisions of Section 6(c) of Chapter 138,
which does permit the erection of facilities on or adjacent
to the Long Beach tidelands which are for the benefit and use
of the tidelands; and, factually, from the reports that we
received from the State Lands Division and the City of Long
Beach, it does come within that provision.

GOV. ANDERSON: So move.

MR. CRANSTON: Second, in the same fashion. Any
discussion? (No response) So ordered.

Item 14 -- Authorization for Executive Officer to
execute agreement with the City of Long Beach settling a num-
ber of matters relating to the Long Beach Tidelands Trust;
i.e., expenditures for tideland beach operation and maintenance; interest received from tideland oil revenue; Marine Stadium, Municipal Auditorium and Auditorium parking lot; tideland recreational programs; Los Angeles County financial assistance to City of Long Beach for maintenance of recreational facilities; fire and police protection of tideland trust facilities; administrative overhead charge of the City as Unit Operator; Harbor Revenue Fund cash receipts; salt water sales; roller coaster; Magnolia and Pine Street parking lots; revenue from Belmont Pier concessions; Annual Report, Department of Oil Properties; and City legal expenses.

Frank, do you want to comment on this?

MR. HORTIG: The Commission will recall, on my refreshing their memories, that the staff reported at the May meeting an unresolved problem as to the justification or validity of transfer and utilization of approximately $1,300,000 of funds by the City of Long Beach in connection with trust operations. At the time the staff recommendation was that, inasmuch as the statute of limitations was running, the Attorney General be authorized to bring an action in order to stop the statute of limitations from running while the problem was negotiated and settled. Particularly at the suggestion of Governor Anderson, the Commission directed that we search for more peaceable and non-litigatory means of accomplishing a resolution of the problem and this was predicated on the City of Long Beach agreeing to waive the statute of
limitations, which they did do, and which agreement the Commission approved at the next meeting.

Since that time we have, therefore, been in negotiations with the City, considering the problems -- and considering not only the initial problem which was raised before the Commission at the May meeting, but all of the problems of the interpretation of the bookkeeping with respect to tideland trust operations generally, other than the oil and gas operations on which the Commission already has very effective controls.

This has resulted in an agreement which your staff feels is equitable, which the City of Long Beach agrees to, and to which there is no objection from the legal basis by the Office of the Attorney General -- which would resolve all these problems for past periods and would give us a format and common understanding as to how the accounting will be conducted for the future.

Additionally, this proposed agreement was reviewed with a representative of the Auditor General's Office, with the result, I am happy to report, that we have a letter from the Chairman of the Joint Legislative Audit Committee, Assemblyman Vincent Thomas, reading as follows:

"I understand the State Lands Commission will take action at its October 27th meeting to approve the agreement prepared by the Attorney General's Office for the settlement of several disputed items between the State and the City of Long Beach."
"We have reviewed the agreement and find it to be a reasonable method of settlement of these long-disputed items, many of which have been discussed in our audit reports.

(These, parenthetically, are the audit reports of the Auditor General; the same items that appear in the State Lands Division reports.)

"Execution of the agreement will clear the way for improved accounting of trust income, expenses and assets in the future.

"Therefore, on behalf of the Joint Legislative Audit Committee and the Office of the Auditor General, I can assure you that we have no objection to the proposed agreement or its ratification by the State Lands Commission and the City of Long Beach.

Sincerely,

(Signed) Vincent Thomas

GOV. ANDERSON: I want to ask the Attorney General’s Office a question. I have to admit that I have not read your thirty-six page report on this and it states there is no legal objection, and so on. I read a couple paragraphs, but I’d like to have you say it quickly and publicly for the record. I am in favor of this, but I want to be sure this has the backing of your office.

MR. SHAPELSON: I’ll make a very brief statement. A great deal of work went into this matter, both by the State Lands Division staff and with the legal advice of the Attorney General’s Office. That work was performed by Deputy Attorney General Greg Taylor, who is at the table with me and who can deal more specifically with the question.
It is our opinion that the many accounting problems that arose as a result of examining the audit reports of both the Auditor General and the State Lands Division could have resulted in a long and difficult litigation with the City, with a final result that would not have differed materially from the results of this agreement.

We believe that the agreement is legally proper and we believe the consequences of litigation, other than the direct results, would have been adverse as far as our overall close and, I think, amicable relationship with the oil field in Long Beach.

This is Deputy Attorney General Taylor, if you have any additional questions.

MR. TAYLOR: I don’t have anything further to add except it was in the Commission’s power, both by the decree in People vs. City of Long Beach and according to the provisions of Chapter 29 that there be a general supervisory administration or check by the State Lands Division.

Also, our office will sign the agreement, which is allowed by provisions of the decree in People vs. City of Long Beach, and it will be signed by the Harbor Department and the Council of the City of Long Beach; and it will be signed by the Governor. So it will be a binding agreement.

As Mr. Shavelson has pointed out, it does settle a good many problems that would have been extremely difficult. I don’t think it would be to the public interest to drag this
thing through the courts.

It provides for the expansion of the auditorium and the increased use of tideland areas for the benefit of the people of the State of California, and at the same time settles many of the bookkeeping problems in the audit of the State and the Auditor General.

GOV. ANDERSON: So move.

MR. CRANSTON: Second. If there is no discussion, so ordered.

Finally, Item 15: Approval of Drilling Schedule for wells to be drilled in November 1966 from Island "A", 1966 Plan of Development and Operations and Budget, Long Beach Unit, Wilmington Oil Field.

Frank, any comment?

MR. HORTIG: Mr. Chairman, in what has become a standard operating procedure in order that the operator may plan and know what he is faced with, I have been approving (after engineering and technical review) early in the preceding month a drilling schedule, so that the operator can then be ready to proceed.

Since the normal approval by the Lands Commission comes so late in the month, there would not be sufficient planning time between Commission approval and the beginning of the next month, ordinarily. Therefore, this approval which I have undertaken on behalf of the Commission requires ratification under the terms of the statute and our agreement
with the City of Long Beach.

GOV. ANDERSON: So move.

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

If there is nothing further to come before us, we stand adjourned until the meeting on November 17th in Sacramento.

ADJOURNED 10:54 A.M.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing twenty-eight 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 October 27, 1966.

Dated: Los Angeles, California, November 7, 1966.

[Signature]

Louise H. Lillico