MEETING OF
STATE LANDS COMMISSION

Sacramento, California
November 17, 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

APPEARANCES:

(In the order of their appearance)

Mr. Arthur O. Spaulding
Petroleum Administrator for the City of Los Angeles

Mr. James Burns of Babson and Burns Consultants, City of Los Angeles

Mr. Lewis H. Butler, representing a citizens' organization in Redwood City

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**SUPPLEMENTAL CALENDAR**

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12 Permit to Redwood City General Improvement District 1-64, to dredge material from bed of Belmont Slough San Mateo County  

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| Newport Beach land exchange | 33 |

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MR. CRANSTON: The meeting will please come to order. The first item is confirmation of minutes of meetings of August 8, August 25, and September 26, 1966.

GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

MR. CRANSTON: So moved, seconded and so ordered.

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

(a) The Pacific Telephone and Telegraph Company -- Approval of location of submerged communications cable across ungranted tide and submerged lands of San Joaquin River in San Joaquin County, between Rough and Ready Island and Moss Tract.

(b) The Pacific Telephone and Telegraph Company -- Approval of location of telephone cables, with necessary appurtenances, across ungranted submerged land of Clear Lake in Lake County.

(c) Federal Aviation Agency -- Acceptance of quit-claim deed covering Lease P.R.C. 3179.2 for a road easement across State school land, San Bernardino County.

(d) Sacramento Municipal Utility District -- Issuance of 49-year permit, for the attachment of power-line conduits to pedestrian bridge authorized by State Lease P.R.C.
3402.9, which will span the American River in Sacramento between Sacramento State College and the Campus Commons Development; permit to be subordinate to rights, terms, and conditions of Lease P.R.C. 3402.9, and to terminate if and when the City of Sacramento revokes its assent as contained in Resolution No. 330 of July 28, 1966.

(e) State Department of Parks and Recreation, Division of Beaches and Parks -- Issuance of 49-year permit, 2.9 acres submerged land in Lake Tahoe, El Dorado County, for installation and proper maintenance of concrete anchors and mooring buoys.

(f) State Department of Public Works, Division of Bay Toll Crossings -- Execution of agreement for reservation of a strip of sovereign land as a bridge right-of-way across San Diego Bay in San Diego County.

(g) State Department of Water Resources -- Issuance of 49-year right-of-way easement, 0.019 acre tide and submerged land, five feet wide, across Mallard Slough, Contra Costa County, for operation and maintenance of an existing submarine cable.

Motion is in order.

MR. SHEEHAN: So move.

GOV. ANDERSON: Second.

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

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

(a) Bechtel Corporation -- Issuance of two permits on tide and submerged lands under the jurisdiction of the State Lands Commission in San Pedro Bay, between Seal Beach and Huntington Beach, Orange County, in order to evaluate proposed island site for a combination nuclear power desalting plant for the Metropolitan Water District of Southern California, for a six-month period from November 17, 1966, through May 16, 1967, as follows: (1) Geological survey permit; and (2) permit to conduct submarine geophysical operations.

(b) Howard C. Baker -- Issuance of recreational minor-structure permit, 0.096 acre submerged land in Lake Tahoe, El Dorado County, for a fee of $25, for proper maintenance of a pier and boathouse.

(c) Crown Simpson Corporation -- Approval of subleases to Crown Zellerbach Corporation and Simpson Timber Company of the State lands described in Leases P.R.C. 3303.1 and 3393.1.

(d) Pacific Gas and Electric Company -- Issuance of 15-day permit to enter State sovereign land in Monterey Bay at entrance to Moss Landing Harbor, Monterey County, at fee of $25, for the installation and removal of twenty-one buoys to be used as part of a research program involving an oceanographic study on the cooling of heated water discharges from thermal power plants.
MR. HORTIG: Mr. Chairman, with respect to item (d), the resolution appearing on page 12 of the agenda should be amplified because some lands may be occupied that may be under the jurisdiction of the Moss Landing Harbor District and it is proposed that the resolution be amplified to read:

"Issuance of the permit is to be subject to the concurrence therein by the Moss Landing Harbor District."

The District has already given a statement of verbal non-objection to such procedure.

MR. CRANSTON: (e) Union Oil Company of California -- Acceptance of quitclaim deed, effective October 6, 1966, for leasehold interest in P.R.C. 3428.1; covering a subsurface crossing easement under sovereign lands of Piper Slough, Contra Costa County. (No structures, pipelines, or facilities were placed on the leased land.)

Motion is in order.
GOV. ANDERSON: So move.
MR. SHEEHAN: Second.
MR. CRANSTON: Approval is moved, seconded, so ordered.

Item Classification 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 and Shell Oil Company -- Acceptance of quitclaim of State Oil and Gas
Lease P.R.C. 2198.1, Santa Barbara County, effective September 12, 1966. (Four wells tested dry and were abandoned.)


(c) Phillips Petroleum Company -- (1) Approval of Condensate Purchase Agreement between applicant and Tidewater Oil Company for the period March 1, 1963 through July 14, 1963, and of the Natural Gasoline Purchase Agreement dated July 15, 1963, as amended by letter dated June 15, 1964, between Phillips and Union Oil Company of California, for the period commencing July 15, 1963, and continuing until terminated by either party, as basis for sale of State's royalty share of non-oil production under State Oil and Gas Lease P.R.C. 2205.1, Naples Field, Santa Barbara County; provided, however, that after July 15, 1963, the Lessee shall be required to pay the State a royalty based upon the highest price in the nearest field at which non-oil production of like quality is being sold in substantial quantities; (2) approval of "Agreement on Understanding and Clarification of the Rights and Obligations of Parties under Oil and Gas Lease (P.R.C. 2205.1)" and authorization for Executive Officer to
(d) Phillips Petroleum Company -- (1) Approval of Crude Oil Sales Agreements dated February 1, 1962, February 7, 1962, and the Amendment dated July 14, 1962, between applicant and Standard Oil Company of California, Western Operations, Inc., as basis for sale of State's royalty share of crude oil production under State Oil and Gas Lease P.R.C. 2207.1, Point Conception Field, Santa Barbara County; and (2) Approval of "Agreement on Understanding and Clarification of the Rights and Obligations of Parties under Oil and Gas Lease (P.R.C. 2207.1)" and authorization for Executive Officer to execute said agreement.

(e) Phillips Petroleum Company -- (1) Approval of the Natural Gasoline Sales Contracts dated May 20, 1964 between applicant and Standard Oil Company of California; dated August 26, 1964 and April 15, 1965, as amended, between applicant and Shell Oil Company; dated September 1, 1964, as amended, and dated March 1, 1965, as amended, between applicant and Fletcher Oil Company; dated February 23, 1966, between applicant and Newhall Refining Company, Inc., all as a basis for sale of State's royalty share of non-oil production under State Oil and Gas Lease P.R.C. 2933.1, Molino Field, Santa Barbara County; and (2) approval of "Agreement on Understanding and Clarification of the Rights and Obligations of Parties under Oil and Gas Lease (P.R.C. 2933.1)" and authorization for Executive Officer to execute said agreement.
(f) Atlantic Richfield Company -- Deferment of drilling requirements under State Oil and Gas Lease P.R.C. 1466.1, Ventura County, through June 30, 1967, to provide additional time for engineering committee to complete review of past performance of the pilot flood, and to determine the economic and engineering feasibility of expansion into a full-scale water flood.

(g) Humble Oil & Refining Company and Texaco Inc. -- Deferment of drilling requirements under State Oil and Gas Lease P.R.C. 186.1, Belmont Offshore Field, Orange County, through June 30, 1967, in order to formulate a development and full-scale secondary recovery operation consistent and compatible with operations under Tract 2 of Long Beach Unit. Lease modification and detailed engineering studies will be required.

(h) Texaco Inc. -- Deferment of drilling requirements under State Oil and Gas Lease P.R.C. 2206.1, Santa Barbara County, through June 13, 1967.

(i) Weatherly Chemical Products -- Issuance of lease to applicant, the highest qualified bidder, on 320 acres sovereign lands in Owens Lake, Inyo County, for the extraction of minerals other than oil and gas. Material to be produced, a thin crust of sodium sesquicarbonate (commonly called trona), to be scraped from the dry lake surface and removed from the lease area, at a royalty in accordance with formula that will result in a minimum royalty payment to the State in the amount of 60¢ a ton.
(j) City of Los Angeles -- (1) Find that Commission cannot make determinations required by law which are necessary before the area of tide and submerged lands included in Proposed Oil and Gas Lease No. 136, Santa Monica Bay, Los Angeles County, may be offered for lease; and (2) Deny petition for approval of the proposed resolutions submitted by the Board of Recreation and Park Commission to lease lands designated as Oil and Gas Lease No. 137.

MR. HORTIG: Mr. Chairman, with respect to item (j), the Petroleum Administrator of the City of Los Angeles is here, together with consultants to his Department, and wishes the opportunity to speak to this matter.

MR. CRANSTON: Certainly. Will they please come forward?

MR. SPAULDING: Mr. Chairman, members of the Commission, thank you for allowing me to appear in behalf of the City of Los Angeles.

What we have in mind this morning is a prepared statement, which I have put together, coupled with some testimony of our consultants which I think you would be interested in reviewing with us. So with your indulgence I should like to read this prepared statement, which I will pass around to you.

Gentlemen, Mr. A. W. Pheil has furnished us with a copy of Calendar Item 17 on today's agenda regarding the City's petition to lease approximately 1,330 acres of tide
and submerged lands seaward of the Hyperion area of the City of Los Angeles. Because the staff of the Commission is recommending that our petition be denied, we wish the opportunity of presenting further evidence in order to obtain your approval on our petition.

At the outset, we should like to point out that much of the evidence which we will present has been only recently obtained, in fact, within the last week, and hence we have not had the chance of making it available to or discussing it with members of your staff. The great body of this evidence reinforces our belief that the City's tide and submerged lands in the Hyperion area are being drained by upland oil and gas production.

By way of review, the Commission before approving our petition must find: (1) that oil and gas deposits are believed to be contained in the subject lands; (2) that the same are being drained by means of wells upon adjacent lands; and (3) that the leasing of same for the production of oil and gas will be in the best interests of the State.

It is our impression, from the remarks made by individual Commissioners on May 26, 1966, when our petition was first heard, that the Commission was prepared to affirm at least Finding No. 3 above.

Controller Cranston indicated that he agreed with the City that leasing the above parcel would serve the best interests of the State of California. In the same connection,
upon being assured that all drilling operations would be con-

fined within the Hyperion Sewage Disposal Plant, Lieutenant
Governor Anderson stated that he no longer had any reserva-
tions about our project upon esthetic grounds. Hence, it
would appear that the major contribution which the City could
make in offering further testimony would relate to the find-
ings which must be made concerning the presence of oil and
gas beneath our property and the drainage of these resources
by wells producing on properties adjacent.

According to Calendar Item 17, the staff of the Com-
mission has concluded that oil and gas may be present within
the area embraced by our proposed Lease No. 137. We could
reiterate the remarks that we made to the Commission earlier
this year concerning the presence of oil and gas beneath our
parcel, but with the staff in this frame of mind there appears
to be no further reason for substantiating this probability.

The key issue to which we must devote ourselves,
then, becomes Finding No. 2, the probability of drainage of
oil and gas reserves from beneath our tide and submerged
lands. The staff has concluded that: "Based on a review of
all available data obtained from wells drilled, there is no
evidence of drainage of lands included in proposed Lease No.
137." This conclusion has prompted the Attorney General in
his informal opinion to remark: "There is no evidence from
which the Commission could believe that the tide and submerged
lands in question are probably being drained from wells on
adjacent lands."

The strongest evidence noted by the Attorney General in this connection relates to the nearby Hyperion oilfield, and he comments: "The staff report indicates that the productive limits of this field have been well established, and that based upon known geologic information they have concluded that the field does not extend beneath the lands sought to be leased by the City of Los Angeles."

The City of Los Angeles has retained the petroleum engineering consulting firm of Babson and Burns and the independent consulting geologist, Mr. Ted L. Bear, to review engineering and geologic details of Hyperion oil field production with specific reference to the probability that our lands are subject to drainage as a consequence of this production. Babson and Burns and Mr. Bear report in part as follows:

"Two separate oil accumulations exist in the Schist Conglomerate in the Hyperion area, both with a more or less east-west trend. The northerly accumulation was discovered and produced by the Six Companies . . . The Schist Conglomerate is completely absent on the easterly end of this structure, and for this reason we believe that the area drained by the Six Companies' wells lies mainly westerly of Well No. 4. No evidence of closure of the westerly end of this structure has been found to date. All available seismic evidence indicates that the structure continues to rise westerly up to the coast line, the limit of seismic data . . . Based on the fact that the seismic data shows the formations to be still rising at the coast line, it is reasonable to assume that the oil bearing structure extends beyond the coast line to a distance at least equal to that underlying the uplands area."
"The southern accumulation . . . is being produced through Pauley Petroleum, Inc.'s well, Loftus No. 1. This well has been producing for at least 20 years without any apparent decline in production and is obviously draining oil from a wide area. Closure to the east end of the southerly structure has recently been determined by the drilling of Well No. Title Insurance and Trust No. 3., redrill, by Occidental Petroleum Corporation. Since the easterly limit of the reservoir is only approximately 1,500 feet from Well Loftus No. 1, we are of the opinion that the principal source of oil lies west of the well. . . . We believe that this oil accumulation extends beyond the coast line and underlies the tide and submerged lands owned by the City of Los Angeles in the Santa Monica Bay area."

Geographical, geological, and engineering details of the Hyperion oilfield will be discussed at greater length by Mr. James Burns, representing Babson and Burns, and Mr. Bear at the conclusion of this statement -- again with the Commission's permission, of course.

Before confidential information from Occidental Petroleum Corporation became available to us, we were prepared to concede that drainage possibilities of the City's tide and submerged lands resulting from the production of Loftus No. 1 were rather unlikely in view of the two dry holes drilled westerly of this well by Pauley Petroleum, Inc. Occidental's well, however, has conclusively demonstrated that the accumulation found productive in Loftus No. 1 extends but a short distance to the east of that well. Loftus No. 1 has produced a total of 208,521 barrels of oil with no appreciable decline, and hence the drainage area of the well must be rather extensive. Accordingly, with closure indicated
to the east and both the northerly and southerly limits of production established by Pauley Petroleum Co. wells, evidence for a westerly extension of this accumulation is compelling. With this definition it is now clear then that our tide and submerged lands westerly of Loftus No. 1 have been subject to drainage since the completion of this well in 1944.

With respect to the northerly accumulation mentioned by our consultants, the absence of Schist Conglomerate to the east of the Six Companies' wells is significant, for oil recovered by the Six Companies must clearly lie to the west. Hence, given conditions of geologic continuity from our parcel to the area under exploitation by the Six Companies, there is no doubt that recovery of oil and gas from beneath our lands has occurred for many years and is now taking place. Geologic conditions originally postulated by our consultants are supported by the seismic information mentioned in our consultants' reports. The only uncertainty connected with the westerly extent of the structure under development by the Six Companies relates to geologic continuity which will only be demonstrated by drilling beneath our parcel.

It may be remarked that any drainage of our property would have to be over rather long distances, 1,500 feet in the case of Loftus production, 3,000 feet for the Six Companies production, and therefore such drainage is unlikely. Our consultants have conducted an extensive study of the reservoir behavior of the Playa del Rey Schist Conglomerate
and again offer cogent arguments that extensive communication
through this reservoir is commonplace over distances much
greater than those we are discussing. For example, in the
Playa del Rey field to the north production and injection per-
formance show continuity within the Schist Conglomerate over
a horizontal distance of 8,400 feet.

Babson and Burns and Mr. Bear conclude:

"First, based on the seismic data and the performance of the two producing wells to date, we believe that the two oil accumula-
tions in the Hyperion area probably extend beyond the coastline and underly those tide and submerged lands owned by the City of Los Angeles in the Santa Monica Bay area.

"Secondly, the continuity of the Schist Conglomerate reservoirs in the Del Rey Hills gas storage project has been demonstrated over a distance of one and a half miles. The two producing wells in the Hyperion area, Loftus No. 1 and Six Companies No. 4, are less than 2,000 feet and 4,000 feet respectively from the coastline. We believe that those two wells are probably draining from distances be-
yond the coastline."

With these remarks in mind, the State Lands Commis-
sion, on the basis of two definite probabilities of drainage to our properties, has sufficient evidence to make an affirma-
tive finding with regard to the City's petition. In fact, such a conclusion is virtually compelled in view of the un-
controverted evidence.

In its report, the staff of the Commission has stated that wells drilled into the sanctuary area would be completed from a drilling location within the Hyperion Sewer Plant. The staff points out, however, that development
wells probably could not be drilled most effectively and
economically from the sewer plant drillsite. We are in per-
fect concert with the staff on this observation. We call to
the Commission's attention, however, that a more effective
and economic drillsite for our parcel must of necessity be
located within the parcel itself, perhaps a drilling platform
or island structure which might well deface the scenic beauty
of the area. It was to preserve esthetic values that the
City deliberately chose a drillsite where no offense could
be given to the surrounding communities. If the Commission
prefers the most efficient drillsite, the City would be en-
tirely willing to comply with the Commission's wishes if the
State makes this possible.

Further, in its report the staff refers to an ap-
parent inconsistency in the City's petition with respect to
the use of revenues. On the one hand the City has stated
that any revenue derived from tide and submerged lands held
in trust in this vicinity would be used to improve the
beaches in the Playa del Rey-Venice area, whereas, in seeming
contradiction, the lease provides that the Board of Public
Works of the City of Los Angeles would receive thirty percent
of all such revenues in return for furnishing a drillsite
within the sewer plant. Perhaps we should have stated that
all Recreation and Parks revenues, seventy percent of the
total, would be used for beach improvements.

Our rationale for the 30%-70% distribution of
revenues concerns the need for an outlying drillsite which
will not conflict with environmental factors. It is common
for the owner of an outside drillsite to receive as compensa-
tion five percent of the gross proceeds of production obtained
from that drillsite. In our case here, thirty percent of
our one-sixth royalty interest constitutes the equivalent of
five percent of gross proceeds and, hence, we have determined
that the Board of Public Works, which administers the drill-
site area, should participate to that extent in revenues
forthcoming from our offshore parcel.

Should the Commission not be impressed with our
rationale for the distribution of income, the City would be
only too pleased to cooperate with the State for the selec-
tion of a drillsite located upon the littoral, tide, and
submerged lands themselves, in order that all our income de-
rived from our tide and submerged lands might be committed
to the development of the shoreline. Indeed, we have been
in communication with State authorities to determine if a
shoreline drillsite could be made available to the City of
Los Angeles, but officials of the Resources Agency have
stated that statutory authority prohibits such construction.

In summary, we believe the State Lands Commission
not only can but should make the affirmative findings re-
quired by the Public Resources Code statutes as interpreted
by the Attorney General. The staff of the Commission, itself,
believes that the Commission could make the first finding
relative to the presence of oil and gas beneath our parcel.

In connection with the third finding, the Commission has indicated it would look with favor upon approving our project in the interest of serving the State. It is apparently the second finding of drainage which is troubling the Commission.

If geologic conditions are as interpreted by the City's consultants, Babson and Burns and Ted L. Bear, the Commission must find that drainage is not merely a probability but an actuality. We believe that all three criteria are adequately satisfied by the testimony which we offer today, and we ask the Commission's approval of our petition.

Now, gentlemen, if your time permits, I should like to elaborate more fully about what we know of the subsurface conditions in the Hyperion oil field.

MR. CRANSTON: Yes.

MR. SPAULDING: I'd like to present Mr. James Burns representing the firm of Babson and Burns, and also the City of Los Angeles.

Frank, would you stipulate he is qualified?

MR. HORTIG: Without reservation.

MR. BURNS: Just to give you a little history of the development of the Hyperion oil field ....

MR. CRANSTON: Would it help any to have the staff first state questions, so you could respond directly to that and so we could limit the discussion to that?

MR. BURNS: Yes, whatever you want.
MR. CRANSTON: Frank, will you state the staff's position?

MR. HORTIG: The staff's position is the same as the last time this matter was before the Commission -- the same as stated by Mr. Spaulding; that is, apparently, that it is the second finding, the drainage, which is troubling the Commission.

In view of the fact that Mr. Spaulding's statements indicate geological conditions are as concluded by the City's consultants and this conclusion being based on data, as stated in the second paragraph:

"... much of the evidence which we will present has been only recently obtained, in fact, within the last week, and hence we have not had the chance of making it available to or discussing it with members of your staff."

and this having been heard by staff for the first time, I would feel the most help could come from the staff in an analysis of this additional data not heretofore made available to staff, not heretofore reviewed by the State Lands Commission staff, which leads them to believe that the staff could make this conclusion on this second finding; but to date the staff has not had such data submitted which would permit this conclusion.

MR. CRANSTON: The staff, I suppose, would not be able to react to whatever was said at this time. It would need time.

MR. HORTIG: My recommendation, and this is not to
foreclose discussion as this would be helpful to the staff -- I would suggest in the light of the presentation and the statements made, if data be available that the matter be re-reviewed by staff and the matter be again brought before the Commission after that review.

MR. CRANSTON: I would like to ask the pleasure of the other parties. This has been in our lap for some time. I think we should do something before we depart. I am strongly inclined to see the City proceed, if it is possible. It is possible for the staff to hear about the geological data that is available -- I see no purpose in our seeing it. But I leave that to the pleasure of the others.

GOV. ANDERSON: I would agree with that, with the stipulation I want to make it clear that whatever I vote for I want to make sure there are no wells located out in the submerged land. One section of the staff report says that the most effective and economic drillsite is not where presently located, and the implication I get from that is that following the finding of sufficient oil down there there would be a move to go out in the water.

I am fully in favor of allowing the City to have this opportunity as long as it is made very, very clear that we are not talking about subsequent wells on a drilling platform or an island or something like that. I don't want to see anything that is going to destroy Santa Monica Bay from the point of view of esthetics and the boating and so forth.
I want it to be very clear that that is my feeling.

MR. CRANSTON: I have a strong feeling that we are not going to be much more certain when we hear this evidence. We just cannot know whether there is drainage or not from the geological data until they have drilled. If we can act -- as I am sure Glenn wishes to assure, and I wish to assure -- that we will not destroy the scenic values and recreational values of this scenic bay, we could proceed today.

MR. HORTIG: The Attorney General's Office says it is necessary that you be in a position to make an affirmative finding on this matter. So the only hope for you to make an affirmative finding is to see whether a re-review can reveal new data, to see if there is a technical reason for this determination.

MR. CRANSTON: Despite the Attorney General's opinion, I don't think I will be able to make a vote with absolute confidence; but perhaps we should have your information given to the staff instead of to us -- with the strong hope that we will be able to act at our next meeting.

Is that satisfactory?

GOV. ANDERSON: Yes.

MR. SHEEHAN: That's satisfactory.

GOV. ANDERSON: And can this be written a little more clearly as far as what the potential platform sites out in the water would be? It is vague here. I want to be very clear when I vote on this. I want to go along with this, but
I want to be sure we are not laying the groundwork for wells out in the water.

MR. HORTIG: I think you are perfectly right, Governor; but in light of the staff's recommendation, recommending denial of the petition of the City, no foreclosure or limitation in the permit to assure there would not be any offshore drilling was necessary to recite at the time; but we did feel that the Commission should be informed that with the normal, probable technical and economic pressures, if this operation is put into effect, the time will come when there will be another presentation before the State Lands Commission suggesting offshore platforms -- depending entirely on the extent of this undetermined structure.

GOV. ANDERSON: This is the part I want to cover because I am confident that the people of Los Angeles, particularly those fronting Santa Monica Bay, if they thought there was a chance of an orchard of wells going out in Santa Monica Bay would be very unhappy. If they thought there were going to be wells out there, we would have received all kinds of petitions, and rightfully so.

I want to do all I can to help, but ...

MR. CRANSTON: The statement by Mr. Spaulding says: "Upon being assured that all drilling operations would be confined within the Hyperion Sewage Disposal Plant, Lieutenant Governor Anderson stated that he no longer had any reservations about our project upon esthetic grounds." I think the
matter is how you work out those assurances, so we know they are assurances and cannot be easily changed.

MR. HORTIG: Mr. Chairman, I think I can assure you on behalf of the staff and assuming some positive determination on a re-review of this original data, if we determine there is a basis for approval by the Lands Commission the recommendation by the staff would also include such limiting conditions for operation as would assure in the future development pursuant to the approval of this Commission, that there would not be any offshore operations conducted.

MR. SPAULDING: Mr. Chairman, the contract itself requires all operations to be in the plant. The drill site is in the plant.

MR. CRANSTON: Let's proceed on that basis. The matter will go over to the next meeting, with the certainty it will be before us and the expectation we will find a way to approve it.

MR. SHEEHAN: I'll move approval of the other items.

MR. CRANSTON: Approval of the other items is moved...

GOV. ANDERSON: Second.

MR. CRANSTON: ...seconed, and so ordered.

Item 6 -- City of Long Beach: (a) Approval of estimated subproject expenditures, from November 17, 1966 to termination of $101,000, with $13,534 (13.4%) estimated as subsidence costs, for raising and relocating gas and water facilities, Gerald Desmond Bridge (Entrance Channel Bridge)
GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

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

Item 7 -- Land Sales: (a) Authorize the sale to Noel F. and Shirley F. Evans of 40 acres State school land in Shasta County, at $4,666.99 (appraised value, $3,320).

(b) Authorize the sale to L. J. Fee of 40 acres State school land in Modoc County at $1,500 (appraised value, $1,200).

(c) Authorize the sale to Joan S. Dyer of 197.68 acres State school land in San Benito County, at $5,159.45 (appraised value, $3,854.76).

GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

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

Item 8 -- Administration: (a) Authorize the Executive Officer (1) to announce and hold a public hearing on the proposed Leslie Salt Co.-State title transaction, in order that the interested general public and the Division may be informed completely and correctly on this subject prior to any action by the Commission; and (2) to make a report on the proposed title clarification transaction between Leslie Salt Co. and the State at a meeting of the San Francisco Bay
Conservation and Development Commission, said hearing, if authorized, to be set at a time and place as appears most convenient, based upon a canvass by the Division of all interested individuals and organizations.

GOV. ANDERSON: When would that be, Frank -- the hearing?

MR. HORTIG: Logically, I would feel, Governor, that this should follow the time of presentation of the statement and report to the San Francisco Bay Conservation and Development Commission, so that it might be the last hearing on the subject; and the time when the B.C.D.C. might wish to schedule such hearing is, of course, under their control -- although they would be informed of the availability of such report as requested by members of the B.C.D.C.

GOV. ANDERSON: Approximately when would this be?

MR. HORTIG: During December would be the very earliest for the B.C.D.C., which of necessity would put the public hearing on behalf of the Lands Commission into January of 1967 at the earliest.

GOV. ANDERSON: I want to say that I have received probably more communications on this item than almost anything else in the last three or four weeks. I am fully aware of the tremendous amount of work by attorneys and staff and everybody to try to work out an arrangement, but I don't believe the public knows what is being done and somewhere along the line this has not gotten out to the public and we are
receiving a lot of letters questioning the motivation.

I would think a great deal of attention should be
given to this matter, so the public knows about it -- so when
you have the meeting the public knows what is going on. I
would think this should be after the first of the year. I
think if we put something through, they might think it is a
last minute thing we are trying to do.

MR. CRANSTON: I don't think we should make the
decision, but I think the meeting with the B.C.D.C. is some-
thing else and we should provide as much information as
possible. We are not necessarily thinking of a hearing in
which the members of the Commission would participate, but
where the staff would provide opportunity for the public to
get all information on the narrow issue we are involved in
and emphasize we are not making a decision on the broad issue.
All those people who have shown interest should be somehow
notified and invited to that hearing.

MR. HORTIG: This, of course, was the purpose of
the staff recommendation, stating that the hearing, if author-
ized, should be set at a time and place based upon a canvass
of all interested parties.

You will recall that such a hearing was held in
Oakland, California, in January 1965. This was before the
B.C.D.C. Now, many citizens who have become interested in
the San Francisco Bay complex, who have since become inter-
ested in the B.C.D.C., who did not attend that public hearing.
feel they have been foreclosed from getting the information — which is not the case.

Consequently, at a forum held three weeks ago at Foothill College at Los Altos Hills, a second annual regional conference, "Man and his Environment" was the subject for a competition in San Francisco Bay. I was approached by many participants, both in the conference and others, who contacted me for information. It occurred to me then that the only way to get the information to a new body of citizens would be that we have another meeting. The Redwood City people wanted it in Redwood City; the Oakland people wanted it on Oakland; and even San Francisco residents decried the fact that the Commission directed the hearing be held in Oakland because there was extensive land involved in Alameda County.

For this reason, I think we can try to decide on an optimum location and in the end we may have to hold two hearings to convey this information to the satisfaction of the citizens.

Approval of this item is going to be demonstration to the citizens who are vitally interested around San Francisco Bay of the desire of the State Lands Commission to cooperate fully and get all the information to them — as both you and the Chairman have said is a vital necessity.

GOV. ANDERSON: Who calls the hearing? Would the State Lands Commission call it or the B.C.D.C.?
MR. HORTIG: The Executive Secretary.

GOV. ANDERSON: Who would conduct the hearing?

MR. HORTIG: The Executive Secretary of the State Lands Commission.

GOV. ANDERSON: But you said the B.C.D.C. membership would have to be informed.

MR. HORTIG: That is a different issue. The B.C.D.C. chairman has suggested that it would be helpful to the B.C.D.C. to have a full report from the State Lands Commission to them.

GOV. ANDERSON: After the hearing?

MR. HORTIG: No, first; just a report for them to consider in connection with all permit authorizations that they consider for the Bay. Then, separately, there would be a public hearing under the control of and that would be effectuated or considered or approved by the State Lands Commission; and the citizens interested in what action the State Lands Commission would take would attend.

GOV. ANDERSON: Doesn't the B.C.D.C. know what we are doing at the present time?

MR. HORTIG: Not specifically and not in complete detail because, as I said, the last public hearing on this matter was held in January 1965 and the B.C.D.C. did not come into being as an organization until September 1965.

GOV. ANDERSON: So then really the first thing you will do is your item (2) -- to make a report to the B.C.D.C.
of everything you have been doing so far with Leslie Salt; and following that you will pick a time and hold a hearing, probably with B.C.D.C. working with you on this?

MR. HORTIG: Not necessarily, but they will certainly be welcome to be present -- because the B.C.D.C. does not have any jurisdiction over the title problems which are the responsibility of the State Lands Commission; but they want to know how this interrelates to their granting permits for operations on lands, irrespective of who owns them, in San Francisco Bay. And just because they also have received a tremendous amount of letters and inquiries, as you gentlemen have, they feel that in order to clear it in the public's mind and, for the record, in the minds of the B.C.D.C. Commissioners, they would appreciate an explanation of the total project and where their jurisdiction is after this title clarification is accomplished.

Then the hearing can be held as to what action can and should be taken and recommended to the State Lands Commission for title clarification.

This is an attempt to probably achieve the greatest distribution of information, and complete information, to the interested citizenry on any one single project that has been undertaken by any State board or commission.

MR. CRANSTON: As I understand it, the facts are that the Legislature authorized us to try to work out a boundary dispute with Leslie Salt involving certain sloughs
on property that is indisputably owned by Leslie Salt Compa-

It is not a land swap; it is not a policy determination. It
has no over-all or after effect on the massive fill proposed
by Leslie Salt, so we cannot stop that. I think we can focus
on that, because many people are fixing the responsibility
for this larger plan with the State Lands Commission, rather
than the B.C.D.C., and that larger plan can be one that
affects not only the Bay and the wildlife inhabiting its
waters and shores, but the lives of all humans living on
the land nearby.

The more we can clarify this situation, the better.
I suggest we try to clarify this, whether it be simply a
staff hearing or one with the members if it will help.

MR. HORTIG: May I add something, Mr. Chairman,
which would make it as complete as it possibly could be?
In addition to your statement regarding clarification of
boundaries of those lands that are indisputably legally, or
probably legally, those of Leslie Salt ....

MR. CRANSTON: Indisputably probably?
MR. HORTIG: Or probably.
MR. CRANSTON: And/or.
MR. HORTIG: ... there is an additional advantage
to the State and this has not become generally recognized.
That is, there would be a clarification of record title in
the State of California of some three thousand* acres of
sloughs which, according to the county records in Alameda,

* later corrected by Mr. Hortig -- should be 1,500 acres.
Santa Clara and San Mateo counties, are privately owned and on which taxes have been paid -- but which are actually again and/or indisputably State-owned land. It is this clarification and returning to State records and State jurisdiction of over three thousand* acres of potentially valuable slough land that is the largest advantage to the State.

MR. CRANSTON: Does anybody in the room want to make a motion?

GOV. ANDERSON: I'll move it.

MR. SHEEHAN: I'll second it.

MR. CRANSTON: It is moved and seconded. I want it understood this motion is now revised and leaves open to question as to whether or not it is to be conducted by the staff or whether the Commission will participate.

MR. BUTLER: Mr. Chairman, would it be possible to ask a question?

MR. CRANSTON: Certainly.

MR. BUTLER: I am Lewis Butler, representing a citizens' organization in Redwood City. We have certain information on what you are talking about -- about what is a navigational slough. I am not so sure a public hearing is the way to proceed with these facts. I understand at the public hearing you want to explain to the public what you intend to do; but it might be helpful for us to have some procedure to work with the staff.

MR. CRANSTON: Would you please work with the staff?

*later corrected by Mr. Hortig -- should be 1,500 acres.
Next item, 9, informative only, no Commission action required: (a) Report on status of litigation.

MR. HORTIG: If I may, Mr. Chairman, amplify:

There is an action identified as People vs. Pacific Fluorite Company, et al. It appears on your calendar on page 41. This has been in process in two parts. First, there was a question, since the State was suing for damages to State-owned land which had been occupied by Pacific Fluorite Company in connection with a mining and milling operation without authorization. The court divided the proceedings in two parts first, the determination of whether the State was the rightful owner of the land and, thereafter, would determine what damages might be awarded the State.

On November 9th of this year, Judge John P. Knauf of the San Bernardino County Superior Court adjudged the State of California to be the owner of the subject land in the above entitled action. So step number one has been completed and there will be a conference tomorrow between attorneys, including representatives of the Attorney General's Office under Mr. Shavelson's direction, to determine whether a compromise basis can be arrived at on the damage portion of the action, which the State is now clearly entitled to receive, since the court has determined the Federal mining laws and all other adverse positions did not apply and there was actual trespass on the State-owned lands.

This is one we brought to the Commission and
suggested it be prosecuted in order to clear the record and also to set some precedent -- so that the citizens who were trying to operate with authorization would feel that they had a reason to come to the Lands Commission to get authorization in the first place, rather than doing it the easy and more economical way, as some people are trying to do, by simply occupying the lands without authorization.

MR. CRANSTON: There are two supplemental items.

Number 11 -- Approval of actions by the Executive Officer, consenting to following schedules for wells to be drilled for the 1966 Plan of Development and Operations and Budget, Long Beach Unit:

(a) Well A-663-1, to be drilled in November 1966 from Island "A".

(b) Wells A-234 and A-302, to be drilled in December 1966 from Island "A".

Motion is in order.

GOV. ANDERSON: So move.

MR. SHEEHAN: Second.

MR. CRANSTON: Approved unanimously.

Number 12 -- Authorization for Executive Officer to issue permit to Redwood City General Improvement District No. 1-64 to dredge approximately 80,000 cubic yards of material from submerged lands in the bed of Belmont Slough, San Mateo County, at royalty of five cents per cubic yard.

MR. HORTIG: If I may add to that, Mr. Chairman,
this is the subject of an existing B.C.D.C. permit to conduct these operations on these lands. There are some title ques-
tions involved, so the Lands Commission is authorizing this operation, in fact, only insofar as the Lands Commission does have title; and by bonds filed with the permit, the State will be indemnified and be held free and harmless from any action as a result of any title contest which would have to be cleared by the Redwood City General Improvement District.

GOV. ANDERSON: Move it.

MR. SHEEHAN: Second.

MR. CRANSTON: Moved, seconded and so ordered.

Before the final item on the next meeting, I would like to have one item placed on the agenda of the next meet-
ing and that is the Newport land exchange -- not with the thought that there will be any definitive action taken by the Lands Commission at the December meeting. However, the Lands Commission has employed a consultant, Lawrence Livingston, to investigate the present land swap and judge it and some alter-
nate ideas which might be put forward for the enjoyment of the citizens. I'd like that on the agenda for discussion.

MR. HORTIG: And report of the consultant?

MR. CRANSTON: Yes.

Date and place of next Commission meeting -- Wednesday, December 14, 1966 in Sacramento. I note the time of convening is not there. Is that supposed to be ten o'clock?
MR. HORTIG: It is ten o'clock. We have since contacted all members and they have concurred.

MR. CRANSTON: December 14th, ten o'clock, Sacramento.

Thank you. We stand adjourned.

ADJOURNED 11:10 A.M.
CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, hearing reporter for the Office of Administrative Procedure, hereby certify that the foregoing thirty-four pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the State Lands Commission at Sacramento, California on November 17, 1966.

Dated: Los Angeles, California, November 18, 1966.

[Signature]

Louis H. Lillico