TRANSCRIPT OF

MEETING

of

STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA

January 24, 1967
MEETING OF
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA
January 24, 1967

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Houston I. Flournoy, Controller, Chairman
Hon. Robert H. Finch, Lieutenant Governor
Hon. Gordon P. Smith, Director of Finance

Mr. F. J. Hortig, Executive Officer

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OFFICE OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA
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GOV. FINCH: This first meeting of the 1967 State Lands Commission is in order. The first item is the election of the Chairman. I recognize the Director of Finance.

MR. SMITH: Mr. Finch, I'd like to nominate Mr. Houston Flournoy as Chairman of the State Lands Commission.

GOV. FINCH: That makes it unanimous.

MR. FLOURNOY: Thank you very much, gentlemen, for that vote of confidence. I appreciate that.

I think that probably we should move along with the agenda and dispose of it, unless you have other matters that you want to bring up at this time.

GOV. FINCH: I think for the record there should be an affirmation of the continuation of Mr. Hortig as our Chief Executive Officer, and I so move.

MR. SMITH: I second.

MR. FLOURNOY: Without objection, so ordered.

GOV. FINCH: I have another agenda item -- or non-agenda item that should be brought to the Governor's attention and that is the fact that the Federal Public Land Law Review Commission will be held here in February. I believe this body should recommend that Mr. Hortig represent the State of California as the Governor's representative for the purpose of those hearings. I so move.

MR. SMITH: I second.
MR. FLOURNOY: If there is no objection, then we will adopt that as well and instruct Mr. Hortig to prepare a suitable report to be sent to the Governor on behalf of all the members of the Commission in this regard.

GOV. FINCH: The only other item I would want to make inquiry into before we get into the regular items, Mr. Chairman, is that I have had this continuing concern about our obligations with respect to survey work and the fact that we have a very substantial backlog which is holding up a lot of real estate development; and I would like Mr. Hortig to speak to the point. I understand we have a second crew authorized but we have been unable to get that organized -- I'd like him to speak to that point with respect to the position the administration is taking and the freeze that has been ordered, so it is clear.

MR. FLOURNOY: I think it will be helpful to us if Mr. Hortig is prepared to give us some information on the impact of the freeze and the budget.

MR. HORTIG: Mr. Chairman, my report this morning necessarily must be in general terms because the specific details are still under discussion with the Department of Finance. The indications are that in order to achieve the recommended or, rather, directed ten percent cut and assigning these cuts to priorities of positions where the cuts would be less injurious to the programs of the State Lands Division, primarily because positions that would be eliminated are currently vacant
although they have been authorized and attempts have been and are underway to fill these positions, in achieving such cuts it would be necessary to eliminate many other positions -- all the positions in the proposed second survey crew that was authorized as of July 1, 1966. In addition thereto, if other vacant positions in the Division which are now frozen and which are vacant and this freeze will carry over into the next fiscal year, in addition to the ten percent cut that is now under discussion with the Department of Finance the freeze of other vacant positions would constitute the equivalent of another fifteen percent cut, or the Division's effective cut for staff would be twenty-five percent -- which patently is far beyond the call for consideration at the present time by the Administration.

Similarly, if in anticipation that the positions could not be filled in the next fiscal year and, therefore, should continue to remain vacant in the current year so as to eliminate the need to terminate employees as of June 30th of this year, this would represent a cut of twenty percent in the current year State Lands Division budget -- which, again, is far in excess of any suggestion that has been made with respect to budget procedure.

So the point I am making is: First, we have the problem that we cannot accomplish those things that we had programmed in upgrading our boundary determination unit work and which is essential, as Governor Finch has already outlined.
with a ten percent cut; and, patently, we are in much more
difficult administrative position if the freeze is continued
and we are not permitted or authorized to fill vacant posi-
tions currently, which positions would represent an equivalent
cut even beyond the ten percent level.

GOV. FINCH: Mr. Hortig, what I have difficulty in
comprehending is this: When these positions were authorized
for this second survey did you get into negotiations with the
Personnel people? Why have those positions remained vacant?

MR. HORTIG: They have not been filled for two rea-
sons, Governor: One, that recruitment for this type of posi-
tion is very difficult for a small agency. The Department of
Water Resources and large agencies of this type manage to get
all the personnel initially because they can offer future pro-
motional opportunities, which are slower in a small agency such
as the Division of Lands.

The other reason is: For positions which are of a
specialized type, even though authorized as of July 1, 1966,
the Personnel Board does not start study of classifications,
examinations and eligible lists until after the approved budget
is in effect; and the balance of these positions are approxi-
mately one-half under study, approximately one-half now classi-
fied and authorized -- and that half that is classified and
authorized is now the subject of the freeze.

MR. SMITH: Mr. Hortig, have you received the print-
er's proof of your budget?
MR. HORTIG: Yes, we have, Mr. Smith.

MR. SMITH: Was the ten percent cut for this coming fiscal year based upon your request -- a ten percent from the budget of the fiscal year? It was a ten percent cut from the request?

MR. HORTIG: Yes.

GOV. FINCH: Did that request conform to the general terms which Mr. Flournoy and I discussed with you before Mr. Smith was appointed Director of Finance, or was that a prior request?

MR. HORTIG: No, it was a subsequent request.

GOV. FINCH: In other words, it did encompass the problems of the survey work that we discussed with you?

MR. HORTIG: No, sir. The proposal was to demonstrate where a ten percent cut could be taken that would be least injurious to the total programs of the Lands Division; and in the priority of the situation the only way that such a ten percent cut could be arranged cumulatively would be to include the elimination of this second survey crew primarily, because it represents positions that are currently vacant and, therefore, would cause the least disruption in terms of Personnel Board rules and regulations.

GOV. FINCH: In that budget are there any funds that might be used to hire survey crews?

MR. HORTIG: No, sir, unless alternative funds are appropriated. There are no funds that could be used for this
particular type of work on a contract basis, for example. We have an additional difficulty, Governor, that under the Constitution and the statutes work may not be done under service contract that can be done under civil service; so that it would be extremely difficult—it can be anticipated it would be difficult to get contract funds for that type of work, for which staff funds had been budgeted.

MR. SMITH: Mr. Hortig, essentially and in summary fashion, what are the effects of the cancellation of this second survey crew? In other words, what is involved so far as hazards to the State?

MR. HORTIG: First and foremost, there are many applications for State-owned lands, the leasing of which would represent revenue initially to the General Fund and then to the other funds to which these funds are distributed under statute.

Second, there is a wide backlog of cases filed on which litigation is pending and on which there have been postponements—where adjoining upland owners desire to know where their boundary line is, so they can pursue development projects on their own land which would be of general economic benefit to California, as Governor Finch has suggested; and if these are brought to trial— as many of the citizens almost undoubtedly properly will do, losing patience with waiting for the day when their boundary line can be determined—the State can lose lands and title to some lands of value, which cannot be
estimated, simply through default and the inability to be able
to present the proper technical data to the Office of the
Attorney General for protection in the State litigation.

The dollar value is difficult to express, but the
point I must stress is that these title problems, on which we
are accumulating more and more of a backlog which we have an
inability to discharge because of the lack of staff, is not
the type of problem that evaporates at the end of the year.
The title problem becomes more complex, the property becomes
more valuable. The litigation and settlement in the future is
usually much more expensive than to do it on a current basis.

MR. FLOURNOY: Could I get a little clarification of
this budget picture? If I understand you, the freeze, in
light of the current vacancies in the staff, if continued to
the present fiscal year would result in a reduction of twenty
percent. In other words, if all the vacancies are not filled
until the end of the fiscal year, it will be a cut of twenty
percent -- a twenty percent cut in State Lands administration.

MR. HORTIG: That is right.

MR. FLOURNOY: I gather if that is perpetuated
through the next fiscal year, it would result in twenty-five
percent.

MR. HORTIG: Ten percent of which was suggested by
the Department of Finance.

MR. FLOURNOY: I wonder if it would be possible for
us to get from you a summary of these vacant positions. I
know that we have got them in one form or another, but if you could summarize them, giving variables: One, the possibility of actually recruiting someone to fill them, which I gather varies according to the qualifications required; and the necessity of filling them -- if you follow me, which may or may not be the same -- within the twenty percent we are now talking about which are now vacant. Then we could try to look in some sense at the priority and urgency involved in these vacancies and the necessity of trying to fill them.

MR. HORTIG: We have, of course, had to assign such priorities in our discussions with the Department of Finance and we certainly can recast that report in the format which you have suggested.

I did want to stress again, since you mentioned the difference between the availability of personnel and the possible necessity of filling the positions, it is not a question of necessity -- because all of these positions were authorized in the first instance only after justification of necessity had already been demonstrated in the last budget; but it is a matter of priority.

MR. FLOURNOY: My only thought is if the Commission is going to consider the possibility of attempting to revise the current rules relating to hiring in order to fill positions, the question of whether we can fill it if we get the authorization to fill it would have considerable bearing on trying to fill it.
MR. HORTIG: Interpreted correctly, your suggestion --
and I concur -- is completely valid; that there is no point in
expending extreme effort on an academic exercise to get clear-
ance on a position that cannot be filled in fact.

MR. SMITH: Mr. Hortig, since you received the
printer's proof, have you had an opportunity to sit down with
the people in Finance?

MR. HORTIG: Yes, sir. We have been in continued
conference and I have a draft of a memorandum which is to be
discussed with your budget division this afternoon.

MR. SMITH: I'd like to suggest, Mr. Chairman, that
because of the importance of this in the State Lands Commiss-
sion's work and the distinction between the staff that is do-
ing this work from the other departments and agencies of the
government, whereby this group is really under the control and
the responsibility of the Commission, that they have the oppor-
tunity to review this in some detail with the Department of
Finance and then come back to the Commission so the Commission
can make a recommendation as to what will be and will not be
included in that budget as compared to the staff just sitting
down with the Department of Finance and getting the final
budget.

As Mr. Hortig knows, and I have discussed it with
him, the proposed ten percent cut in the State Lands Division
was for the purpose of getting the budget in, and this could
vary from department to department; and I think the time has
come, because of the pressures of this work, that we have to
make a determination as soon as possible.

MR. FLOURNOY: What is the time factor?

MR. SMITH: It should be pretty soon.

MR. FLOURNOY: We could try to schedule another
meeting which would be earlier than the next meeting.

MR. HORTIG: Mr. Chairman, might I suggest just as
soon as these staff discussions with Finance have progressed
to the point where there are specifics, that I then contact
you gentlemen with respect to the possibility of a brief meet-
ing at an earlier date?

MR. FLOURNOY: Why don't we leave the date for the
next meeting for this purpose open and you can call the Chair
when the modifications have progressed to the point where it
will be useful for us to get together and then we will announce
it publicly. Anything further along this line, gentlemen?

(No response)

The next item on the agenda is the confirmation of
minutes of meetings of November 17 and December 14, 1966.

GOV. FINCH: I move.

MR. SMITH: I second.

MR. FLOURNOY: Without objection, those minutes will
be adopted as read.

Now we move on to the agenda. I assume anyone in
the audience who has any point or a desire to express them-
selves with regard to any of these items on the agenda has
so indicated to the Executive Officer. I don't believe anyone has expressed a desire to speak on any of these items. That will continue to be the procedure at these meetings -- that we would like advance notice of any particular point the audience would like to address themselves to. Short of that, I think we can proceed expeditiously, unless there are items that the Commission members want to discuss.

Mr. Hortig?

MR. HORTIG: Mr. Chairman, Calendar Item 4 on your summary pages I and II comprises a series of permits and authorizations generally to public and other governmental agencies at no fee or a nominal fee, all pursuant to statutes and in each instance the consideration for authorization of the permit is the public benefit and public use of the facility authorized.

Briefly, the counties of Sacramento and Yolo desire to reconstruct an existing bridge at approximately one-half mile south of Courtland, Sacramento County;

National Metal and Steel Corporation has had a problem of having a tow going ashore at Pacifica in San Mateo County while en route with the U.S.S. George E. Johnson for dismantling and must occupy some State tide and submerged lands unless it is abandoned;

The State Department of Fish and Game desire to conduct an operation for measuring fish in Honker and Grizzly Bays;

The State Department of Public Works requires
temporary authority for construction of three survey towers for the proposed Coronad Bridge;

And the Department of Water Resources requires an easement over State-owned lands for the construction, maintenance and operation of a fish hatchery; and before the obvious question is raised, the program is for the Department of Public Works to proceed with this construction, but the fish hatchery will be transferred to the Department of Fish and Game for operation and maintenance.

GOV. FINCH: I move the approval of Agenda Item 4, permits and easements.

MR. SMITH: Second.

MR. FLOURNOY: Unanimously approved and the permits and easements will be granted.

MR. HORTIG: Number 5 -- Items (a) and (b) -- Two minor-structure permits for piers for multiple recreational use at Lake Tahoe; in item (c), Pacific Gas and Electric Company desire a ten-year renewal of a previously existing lease which covers a gas line crossing easement of the Napa River, on which the rental on the as yet currently established policy of the Lands Commission would be $25.

GOV. FINCH: May I just ask when did we last take an over-all review of the leasing policies on piers in Lake Tahoe?

MR. HORTIG: If my memory serves me correctly, it was in the early part of 1960. However, there is a staff
review and study underway which will be reported with recommendations to the Lands Commission early this year.

MR. FLOURNOY: Any objection to the granting of the permits, easements, leases and rights-of-way under (a), (b) and (c)? (No response) Without objection, so ordered.

Number 6?

MR. HORTIG: Number 6 is oil-and-gas and mineral leases and permits issued pursuant to statutes and established policies of the Commission. Items (a) through (d) can be considered en bloc inasmuch as they are for authorization to extend for a period of six months existing but expiring geological and geophysical exploration permits which have been issued to various oil companies, who conduct these operations under service contract with exploration agencies or for their own account.

MR. FLOURNOY: Is there any objection to extending these permits as indicated in the agenda for (a) through (d)? (No response) Without objection, they will be extended as indicated.

MR. HORTIG: Now, item (e) is a new application for a new permit for geophysical exploration of the same nature as those just extended, ranging along the California coast from Santa Barbara County to Mendocino County. It has been prior practice of staff to notify County Boards of Supervisors of the coastal counties offshore of which these operations are to be conducted, even though these lands are under the exclusive
jurisdiction of the State Lands Commission, in order that
there could be a determination that there were no local objec-
tions to the conduct of such operations.

No objections were received from any of the counties
and, as a matter of fact, only three counties acknowledged --
San Francisco, Sonoma and Mendocino. All three stated no
presentation would be made and Sonoma said specifically not
only would no objection be presented, but what else could they
do to implement the program?

The City of Seaside in Monterey Bay adopted a reso-
lution, which they sent to their County Board of Supervisors
and which we received yesterday, asking that the operations
not be permitted. Now, the basis for the request appears to
be possibly based on a misunderstanding that petroleum produc-
tion in Monterey Bay poses a serious threat of pollution to
the Bay and recreational and existing commercial activities
which depend on water purity and cleanliness of the seashore.

None of these things result from the type of permit
which is here being recommended and, indeed, are prohibited by
statute.

So, because of this possible lack of understanding
on the situation, I recommend that the Commission authorize
this permit subject to the understanding that the permittee
will not conduct any operations offshore the City of Seaside
in Monterey Bay until such time as the staff has been able to
explain and review the problem with the officials of the City
GOV. FINCH: Just as a point of information, how many Federal permits or leases are outstanding along this same geographical area?

MR. HORTIG: About twelve -- but out in the Outer Continental Shelf lands which, in the case of Monterey Bay, are three miles seaward of the headland to headland points across Monterey Bay. So operations under the Federal permits are so far out to sea, you can't see them from the City of Seaside with a telescope.

GOV. FINCH: Of those twelve, how many have actual drill sites or platforms?

MR. HORTIG: None.

MR. SMITH: How much time has Santa Barbara and all these counties had to respond to this proposal?

MR. HORTIG: Sufficient time and have informally responded. As a matter of fact, the County Counsel of the County of Santa Barbara is in the audience this morning.

Since approximately again in the 1950's, there have been controlled conditions for conduct of offshore exploration in the County of Santa Barbara, which have been satisfactory to the Board of Supervisors of Santa Barbara County. So there have been no objections from Santa Barbara County to any operations since that time as long as these control conditions continue to be effective.

Actually, we have had in recent years no objections
that were not eliminated after the problem and the solutions were explained.

MR. FLOURNOY: Without objection -- unless there is one -- this item (e) under "6" will be approved subject to the exception which has been explained. That leaves (f), (g), (h), (i) and (j) under "6."

MR. HORTIG: Item (f): I will give possibly a little more detail than nominally warranted because it is representative of the tremendous gamit of operational problems that the Lands Commission has. There are statutes authorizing prospecting permits for minerals other than oil and gas, where the lands are not known to contain minerals at the time of application for the permit. These conditions are the case with respect to 160 acres of school land in San Bernardino County. The applicant is entitled to, at the discretion of the Commission (it is not mandatory), a prospecting permit at a fee of $160 for two years for the area to be explored. If there are commercial discoveries during the time of the permit, the applicant is entitled to a preferential mineral lease at royalty rates which are specified in the permit and would be carried over into the lease.

GOV. FINCH: What would those rates be?

MR. HORTIG: The royalty schedules appear on page 22 of your agenda. They are specified with a sliding scale for gold, silver, other precious minerals, and radioactive minerals; for nonprecious metallic minerals; for nonmetallic
minerals; with minima and a provision for an escalation of the 
royalty rates if the market value of the minerals increases 
any time during the lease.

MR. SMITH: The exploration fee, as well as the 
royalty rates -- when were they last revised?

MR. HORTIG: The exploration fee as well as the 
exploration royalty rate are both statutory.

MR. SMITH: When were they established?

MR. HORTIG: 1921.

MR. SMITH: That raises an interesting question.

MR. FLOURNOY: Yes.

MR. HORTIG: We have noted the question and we will 
have a report for the Commission with alternatives.

MR. FLOURNOY: But with regard to this specific item 
here, do you have any objection?

MR. SMITH: No, I have no objection.

MR. FLOURNOY: Let's approve item (f) without objec-
tion, as indicated under prospecting permits.

MR. HORTIG: Item (g) is interesting in that it rep-
resents a prospecting permit on a parcel of land in which the 
State is only the owner of the minerals beneath the surface, 
but the application for this permit is from the owner of the 
surface, whose predecessors in interest purchased the surface 
from the State of California with a mineral reservation.

It is additionally unique because this is an applica-
tion for prospecting for the new, exotic, glamorous source of
energy -- geothermal energy; but the royalty rates that would be applicable were specified by Commission resolution and approved by Commission resolution during 1966, so in this instance they are current to the extent that we have very limited market data, really, with respect to market value of geothermal energy.

GOV. FINCH: Could you give us a more precise statement as to what our responsibility would be in regard to the geothermal development? This is a whole new venture, I think. I am wondering if we are going to extend ourselves into that field unnecessarily. Do we have some precise guidelines here?

MR. HORTIG: In order of your questions, Governor -- first, this isn't an extension into the field. There are approximately thirty existent prospecting permits for this purpose and four leases for this purpose which ripened out of prospecting permits, where it was demonstrated that there were commercial deposits of geothermal energy. These are all located in the Salton Sea area and are pilot operations underway.

GOV. FINCH: Who is conducting those operations?

MR. HORTIG: Imperial Geothermal, a subsidiary of Morton International.

MR. FLOURNOY: Is there any objection to approve this prospecting permit? (No response) No objection, so ordered. (h)?

MR. HORTIG: Item (h) -- an application of Standard Oil Company and others, as current lessees of an existing oil
and gas lease; and, as reported on page 26, in the development
of the lease a drilling schedule was undertaken that already
qualified and completed all drilling requirements under the
lease through April 13, 1968.

At the present time, rather than arbitrarily follow
the automatic drilling schedule which requires a new well one
hundred twenty days after the last well is completed, it is
the desire -- and it is recommended by staff -- that the les-
see be permitted to conduct, complete the conduct of seismic
surveys and further geological evaluations in order to deter-
mine the optimum location for the next well to be drilled.

This requires a deferment of the drilling schedule as specified
under the lease and is within the authority of the Lands Com-
mission to grant, and it is recommended.

MR. FLOURNOY: Is there any objection to deferring
the drilling requirements of item (h)? (No response) Without
objection, so ordered. (i)?

MR. HORTIG: Item (i), application of Texaco Inc.,
while referring to another existing oil and gas lease, is not
completely analogous with the description I just gave -- be-
cause here there has been no success with respect to develop-
ment. There are no producing wells and exploration is continu-
ing. There is one of two options this Commission may take:
Either to request a quitclaim for failing to follow the drill-
ing schedule, in which event 4,250 acres of vacant ocean would
come under the jurisdiction of the State with a loss of $4,250
annual rent; or an extension of drilling requirements can be authorized, under which the lessee can make further exploration and hopefully be able to drill a well.

MR. FLOURNOY: Any objection to granting the deferment under item (i)? (No response) No objection, so ordered.

(i) ?

MR. HORTIG: Items (1) and (2) under (j) pertain to two parcels of tide and submerged lands in Suisun Bay, for which an interest has been expressed and there are prospective bidders if an oil and gas lease is offered. The request under item (j) is for authorization for staff to advertise for bids. The lease offer as offered would be amended to conform to the latest 1966 statutory amendments which have not been heretofore in any lease offer by the Lands Commission because of their late effective date. This relates only to definition of multiple completion of oil wells and is not a substantive matter and, therefore, was not detailed in this request.

MR. FLOURNOY: Is there any objection to authorize the Executive Officer to so advertise the items under (j) for lease? (No response) So ordered.

Item 7 -- City of Long Beach.

MR. HORTIG: This covers a range of items which will appear monthly before the State Lands Commission because of the Commission's jurisdiction with respect to monitoring and control of administration and other activities in the granted tide and submerged lands in the City of Long Beach.
Items (1) and (2) of (a) relate to closing out the bookkeeping with respect to projects previously approved to the City of Long Beach, authorized by the State Lands Commission; but inasmuch as Chapter 29 of the Statutes of 1956 provides that for various projects which include as a portion of the operation the alleviation, prevention or repair of damage caused by land surface subsidence, twenty-five percent of the subsidence cost is authorized to be deducted from this fund that would otherwise be remitted to the State. Such projects require advance approval. It is impossible to make precise estimates prior to completion, so they are approved subject to final audit and engineering review when the projects are completed, to determine what the precise amounts are.

In this instance, then, approval will authorize the closing of accounts on four projects -- on two of which credits are due the State in view of the earlier estimates, two of which credits are due the City of Long Beach. These are practically an offset to each other on the order of $20,000 on each side of the column.

MR. FLOURNOY: Is there any objection to closing these accounts as indicated on the agenda? (No response) No objection, so ordered.

MR. HORTIG: Item (b) is the last item of its type which will come before the State Lands Commission, with the approval of the 1966 drilling budget for the initial development in the Wilmington Oil Field. The budget approval carried
the requirement that for modifications of drilling schedules, even those within the constraints of the budget if directed by and approved by the Executive Officer and the City Manager of Long Beach, nevertheless such actions had to be ratified by the State Lands Commission. This was simply a provision in the original budget approval.

The proposal before you is the last of the ratifications to clear out the 1966 budget actions. For 1967, this same condition was not included in the budget approval -- so they will not have to be brought back to the Commission for ratification.

MR. FLOURNOY: Is there any objection to approving the action taken by the Executive Officer on item (b)? No response) No objection, so ordered.

MR. HORTIG: Item (c): Chapter 138, Statutes of 1964, in addition to assigning the Lands Commission both economic responsibility and control of the Long Beach Unit, also provided as to expenditure of its share of tideland revenue in Long Beach that the City must seek non-objection from the Lands Commission on any capital project involving $50,000 or more.

In the subject instance, the City desires to acquire for $94,500 certain shore properties which are necessary for conduct of its shore operations; and in order to expend its own share of tideland revenues for this purpose it must have a statement of non-objection from the State Lands Commission.
GOV. FINCH: Mr. Hortig, what are they going to do with this? Is it for corporate purposes or recreational purposes?

MR. HORTIG: It is for recreational purposes and for development of the entire shoreline of Long Beach.

Additionally, Governor, the point should be made that when properties are so acquired they become an asset of the trust, so that they do not become an asset of the general funds of the City of Long Beach and they don't offset any corporate funding and cannot be used for municipal purposes but only for trust purposes under which the original tide and submerged lands were granted.

MR. SMITH: Mr. Hortig, the expenditure for this purpose -- this apparently exists under some guideline in the statute?

MR. HORTIG: Yes.

MR. SMITH: So there are guidelines in the statute for which these funds can be spent?

MR. HORTIG: Chapter 138, Statutes of 1964 has a maximum limit ...

MR. SMITH: I wonder why an audit matter like this should have to be on a State Lands Commission agenda. If there are guidelines in the statute, this could be done by audit.

MR. HORTIG: The statute requires non-objection by the State Lands Commission either within sixty days, failing
which the project is deemed approved. So the Commission can let it go by default.

In addition, anything to come before the Lands Commission to be approved must be presented by agenda and must be approved by resolution of the Commission by at least two votes. This is part of the Public Resources Code. It is a cumbersome procedure, Director Smith.

MR. SMITH: I guess my point is this: This is a statute that provides guidelines. Why not let Long Beach spend the money and it can be audited later?

MR. FLOURNOY: As I recall, I was somewhat concerned at this point in time as to how much money Long Beach could purposefully use. I think the State should have some restraining influence on the expenditure of this money. My memory on the legislative history is not complete, but I recall some such feeling on the part of the Legislature.

MR. HORTIG: Mr. Chairman, your memory of the legislative history is crystal-clear and, of course, the Legislature raised the question as to whether or not prior actions had been valid and should be questioned, and there was no authority to question. Therefore, this control was established and this responsibility was given to the Lands Commission to monitor these operations.

MR. FLOURNOY: Is there an objection to the approval of this expenditure in item 7 for these beach lots? (No response) Without objection, it will be so approved. (d)?
MR. HORTIG: Under item (d) we have approval of the first modification of the 1967 plan of development and operations and budget -- which is the vehicle through which the State Lands Commission has full economic control of the new development at Long Beach. A budget having been approved, it however has been found that expedition of certain operations is going to be of financial and economic and engineering advantage to the operator and to the State.

Therefore, it is recommended that the Commission authorize a modification of the 1967 plan of development and operations to provide additional funds which will permit more expeditious development from item (d) than, as originally contemplated, might be feasible.

MR. FLOURNOY: Any comment?

GOV. FINCH: Explain to me the significance of the Calendar Item 20: "Increase the following budget categories to provide for 66 oil wells and 12 injection wells" -- from $4 million to $12 million.

MR. HORTIG: It had originally been contemplated that there would be a drilling schedule which would require the expenditure of the $4 million. It is now apparent that with respect to the location of Island "D" -- which is the most seaward island, which cannot constitute a visual or a noise nuisance -- that the drilling development of that island can be expanded; that the operation can be completed sooner and, therefore, oil will be produced sooner, the State get the
money sooner, and the operator recover his investment sooner.

So it is recommended that the ability to do this be authorized by expanding the current budget.

MR. FLOURNOY: Is there any objection to approve this modification? (No response) Without objection, it will be approved. (e)?

MR. HORTIG: On the easterly end of the Long Beach operation there is an area of upland under lease to Mobil Oil Corporation and some to the City of Long Beach; and then offshore there are the tide and submerged lands granted to the City of Long Beach.

Rather than have a competitive operation, where every operator drills as many wells as he can on his own property, it is recommended (and can be authorized by the Lands Commission pursuant to statute) that cooperative agreements be entered into, under which the total reservoir unit is operated cooperatively rather than competitively, to the economic advantage of all concerned -- and certainly of benefit to the development of the reservoir.

MR. FLOURNOY: Is there any objection to the approval of item (e) as set forth in the agenda? (No response) No objection, so ordered.

Number 8 -- Land sales.

MR. HORTIG: The Department of Public Works, Division of Highways, has made application to purchase 4.97 acres State school land in San Bernardino County, required in
connection with a freeway project.

The vacant school lands having been granted by Congress in aid of education with a trust condition that the proceeds from the lands always be in aid of education, these lands if transferred to another agency for a non-trust use must be compensated for at full market value.

It is recommended that this sale be authorized at the appraised price without competitive bidding, inasmuch as this is a State agency and there would be no advantage to having private competitors bidding against the State agency to acquire these lands.

MR. FLOURNOY: Is there any objection to authorizing the sale as indicated in 8(a)? (No response) Without objection, so ordered.

Number 9 -- Administration.

MR. HORTIG: 9(a): We apologize to Phillips Petroleum Company. We had a deposit in our books that should have been refunded to them. Instead, we sent it to the State Treasury and once it gets into the State Treasury, you just don't get your money back without filing a claim with the Board of Control and hope that the Board of Control approves it. So we are recommending that we be authorized to file a claim with the State Board of Control by which, if approved and finally adopted and funded by the Legislature, Phillips Petroleum can look forward to getting their money back -- maybe a year from now.
MR. FLOURNOY: Is there any objection to so proceeding on that item? (No response) If not, so ordered. 9(b)?

MR. HORTIG: Trespass was discovered in which the landowner of land adjoining Steamboat Slough had filled a low area of his land with material removed from the Sacramento River, which is technically minerals of the State of California; and he has offered to settle the claim without any altercation or litigation at what is a reasonable going rate of ten cents a cubic yard for the material; and we recommend the acceptance of the settlement.

MR. FLOURNOY: Is there any objection to accepting the settlement? (No response) Without objection, so ordered on 9(b). 9(c).

MR. HORTIG: Item (c), Pacific Gas and Electric Company, relates to a parcel of land on which title is in contest, specifically between the State of California and Leslie Salt Company, has been for a number of years, is still under review.

In the meantime, Pacific Gas and Electric Company had to proceed with a project, so they did it under a stipulation and rental agreement with State Lands Commission, paying the Lands Commission rental for the property until such time as title is clarified and the correct landowner has been designated. The time has run out on that stipulation and Pacific Gas and Electric desires a two-year extension, hoping that the title situation will be clarified in that time.
MR. FLOURNOY: Is there any objection to executing this agreement? (No response) No objection, so ordered.

(d).

MR. HORTIG: As you gentlemen have been made aware, San Francisco Bay Conservation and Development Commission, created by the Statutes of 1965, provides among its other members for "a" member of the State Lands Commission, designated by the State Lands Commission to consider the regional planning problems, and it is charged with the obligations under the Bay Conservation and Development Act.

The Act also provides for the designated member to designate a proxy member to attend and vote in his stead if it is infeasible for the Lands Commission member to attend.

GOV. FINCH: I think it is only appropriate that our new Chairman be the representative.

MR. FLOURNOY: I need a motion.

MR. SMITH: I move that the Chairman be designated a member of the San Francisco Bay Conservation and Development Commission.

GOV. FINCH: With the Executive Officer to serve as proxy.

MR. FLOURNOY: So approved, without objection.

What about item 10?

MR. HORTIG: It is the cataloging of major litigation, on which there is readable information for your records and files -- nothing specific to be reported, but to alert you
gentlemen as to the breadth and scope of the major litigation which the State Lands Commission finds itself involved in -- most generally as defendant.

MR. FLOURNOY: Is there anything further to come before the State Lands Commission at this time?

MR. SMITH: Mr. Chairman, just one point: I am wondering whether or not it would be feasible for the Executive Officer to develop for us a schedule of the existing price structure for all permits and leases -- not of the individual leases, but of the price structure. On these exploration permits dealing with 1921 figures and the equitableness to all concerned, I wonder why they have not been revised since 1921?

MR. HORTIG: Because of the statutory provisions and despite studies by various legislative committees, these never resulted in an amendment to the statutes with respect to minerals other than oil and gas. It has always wound up almost exclusively with revisions with respect to the more productive element -- oil and gas.

MR. FLOURNOY: Gordon, would it perhaps be a more useful way to proceed, rather than going into each one of these aspects, to provide us with a list of the various schedules and the dates when they were enacted, and comments on those that seem to have been enacted a long time?

MR. HORTIG: These schedules already exist.

MR. FLOURNOY: I'd like a comment, with the date,
so we have a summary as to when these various schedules were enacted and we can address ourselves to those that have been in effect an inordinately long time, so we can go into those.

Is there anything further? If not, we will adjourn this meeting subject to the call for the next meeting on the budget matter.

MR. HORTIG: Might we consider the next regular meeting on February 23rd?

MR. FLOURNOY: I would move that the next meeting be on February 23rd, ten a.m. at Sacramento, at -- here?

MR. HORTIG: Most probably in this room, depending upon the needs of the Assembly.

MR. FLOURNOY: Right. We will do that, and subject to the call for the next meeting on the budget matter.

MR. HORTIG: Thank you, gentlemen.

ADJOURNED 12:00 NOON

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CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing thirty-one 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 January 24, 1967.

Dated: Los Angeles, California, January 27, 1967.

[Signature]

LOUISE H. LILLICO