TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA

February 23, 1967
MEETING OF
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA
February 23, 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, not present; represented by:
Mr. Gordon Kaylor
Chief Deputy Director of Finance

Mr. F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:
Mr. Warren J. Abbott, Deputy Attorney General

APPEARANCE:
Mr. Harry D. Aggers
Vice President, T H U M S

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MR. FLOURNOY: The meeting of the Lands Commission will come to order.

I gather we have the confirmation of minutes of the meeting of January 24th. Any problem with the minutes of the meeting of January 24th?

GOV. FINCH: I move the approval.

MR. KAYLOR: Second.

MR. FLOURNOY: No objection, so ordered.

It is our understanding that there is no one present here that has voiced an indication to the Lands Commission of a desire to testify on any of the items that are on the agenda this morning, so unless there is some other indication we will proceed on that basis as of now. If anyone here has an item they do want to discuss or address themselves to, we will be happy to hear them, but otherwise we will proceed with the agenda.

Permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statutes: We have one item there, with the U. S. Department of Interior on the issuance of a permit. Any questions or discussion on that item?

MR. HORTIG: Recommended for approval by the staff, Mr. Chairman.

MR. FLOURNOY: All right. Without objection, it
will be so ordered.

Number 4: Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission; and there we have some seven items that are proposed here for appropriate action.

Is there any discussion?

MR. HORTIG: All of these items are in conformance with the statutes and the standards and are recommended for approval.

MR. KAYLOR: Move approval.

GOV. FINCH: Second.

MR. FLOURNOY: Without objection, those items will be approved.

Item Number 5: Oil-and-gas and mineral leases and permits issued pursuant to statutes and established policies of the Commission -- some eleven items.

MR. HORTIG: If I may summarize, Mr. Chairman, items (a) and (b) represent a series of assignments of already existing leases for geothermal resources from the lessee, ultimately to be held by Imperial Thermal Products, and are routine assignments as are authorized under the statutes and under the terms of the lease; but action recommended with the anticipation that experimental operations and pilot plant operations will be carried forward immediately by Imperial Thermal Products as the new lessees.

MR. KAYLOR: Do I understand these items are at the
request of the applicant?

MR. HORTIG: Yes.

MR. FLOURNOY: If there is no objection let’s ap-
prove those items, (a) and (b).

MR. HORTIG: Items (c), (d), (e) and (f) are re-
quests for deferment of drilling requirements with respect to
existing leases, in order to permit further studies and ex-
ploration dependent upon availability of equipment; and items
(c), (d), (e) and (f) are recommended for approval by the
Commission.

MR. FLOURNOY: Any objection to granting those
deferments? (No response) Without objection, the deferments
will be granted.

MR. HORTIG: Items (g), (h) and (i) relate to ex-
tension of geophysical exploration permits heretofore issued
by the State Lands Commission, in order to permit the continu-
ation of geophysical exploration operations. In accordance
with the permit terms, all of these permits are also subject
to concurrent permits by the Fish and Game Commission to
assure complete protection of marine life in the conduct of
those explorations.

MR. FLOURNOY: Any objection to those three items?
(No response) So ordered.

MR. HORTIG: Item (j) is a request for deferment of
operating requirements for a dredging operation authorized to
San Diego Gas and Electric Company, who have to do periodic
dredging maintenance in San Diego Bay; and deferment of minimum operating requirements and continued payment of the lease rental is recommended.

MR. FLOURNOY: No objection, so ordered.

MR. HORTIG: Item (k) represents a proposal to this Commission for the first time under existing statutes, where the Commission is authorized to enter into and, on the basis of findings, negotiate oil or gas leases or compensatory oil agreements where the lands are of such small size, fragmented or so located, that they do not lend themselves to a bid for an oil and gas lease, -- in this case, the Colusa County Fairgrounds, which could only be explored by slant drilling of private lands outside the Fairgrounds.

It is recommended that the Executive Officer be authorized to negotiate a sub-surface gas lease, which the Colusa County Fair is agreeable to.

MR. FLOURNOY: No objection, we will so authorize the Executive Officer to negotiate.

MR. HORTIG: Item 5(1) is also an infrequent type of application to the Lands Commission. In this instance, the City of Los Angeles is the grantee in trust of tide and submerged lands in Santa Monica Bay in the vicinity of El Segundo, adjoining the Hyperion Sewage Treatment Plant.

There are oil wells on production on the uplands and adjoining lands and it is believed that it is possible and may be probable that by reason of this production the granted
tide and submerged lands are being drained; and the only way to prove this and also to protect the oil resources from drainage is by means of slant drilling wells out into the tidelands and producing, if there is production, for the benefit of the Recreation Fund of the City of Los Angeles.

GOV. FINCH: Has the City of El Segundo taken a position on this?

MR. HORTIG: No, sir. These particular lands are granted lands and in front of a section of the City of Los Angeles, and no objections from any of the adjoining communities have been voiced.

The method of operation or development or exploration would be by means of oil equipment placed, again, within the exterior limits of the Hyperion Sewage Treatment Plant, which is already an industrial complex. There would be no operations conducted on the beach or out in the water.

Therefore, it is recommended that the proposed lease by the City of Los Angeles be approved by the Lands Commission, as required by statute.

MR. FLOURNOY: Is there any objection to approval?

MR. KAYLOR: Do I understand that the lease itself will be back for approval?

MR. HORTIG: Well, in effect, as to the award, this is correct — The Attorney General corrects me. We have had the lease form, of course, before the staff and it has been reviewed, and it is presented here in connection with the
application. It already does contain the restrictions and
provides only for conduct of operations from the uplands, so
that all the conditions that the Lands Commission would desire
to have included are included and would be approved by the
action before you today.

MR. FLOURNOY: They are in the lease?

MR. HORTIG: Yes, sir.

MR. FLOURNOY: Any further discussion? (No response)

Without any objection, it will be so approved.

Number 6: We have some seven items with regard to
the City of Long Beach.

MR. HORTIG: As the Commission is aware, economic
total control over the development of the Long Beach Unit of the
Wilmington Field, approval of expenditures by the City of
Long Beach for subsidence alleviation and protection, and
nonobjection with respect to capital investment projects in-
volving $50,000 or more, are all assigned responsibilities of
the State Lands Commission.

Items (a) through (f) recommend, on the basis of
all three of these items, subsidence costs, determination of
nonobjection for capital expenditures, and approval of modi-
fications of the Plan of Development and Operations and
Budget for current operations. These are included in items
(a) through (f) and are all recommended.

Item (g) represents an application requesting
approval of assignment of and establishing of production
payment procedure with respect to a share of the production held currently by Allied Chemical Corporation; and such assignment is subject to approval both by the City and State, and is recommended for approval by the Lands Commission, subject to approval by the City Manager of Long Beach, as is required by contract.

MR. FLOURNOY: Is there any discussion with regard to any of these items on Long Beach? (No response) Without objection, they will be so approved.

Number 7: Land sales and acquisitions. We have some four items pending.

MR. HORTIG: Item (a) is one procedure by which the State is slowly acquiring satisfaction of deficiencies to the School Land Grant of 1853. Lands having been selected and having finally been approved by the Department of the Interior will be received by the State of California.

There is an application by a private individual to purchase these lands, who made the original suggestion to the State of California. This is no longer the procedure. This was long ago that this selection application was filed, and the policy of the Commission has been substantially altered and private applications are no longer being accepted; but applications for the benefit of the State are continuing to be made. This is a proposed consummation of a transaction which has been pending for many years.

GOV. FINCH: How many acres are you talking about?
MR. HORTIG: This will appear on page 45. The State is now selecting 2209.40 acres of Federal land.

GOV. FINCH: In return for which?

MR. HORTIG: In return for which we would release lands of equal value in the amount of 8,220 acres -- which are, however, unavailable to the State for development, utilization or any other program because they are within the limits of the Twentynine Palms Marine Corps Base, which has a fence around it.

MR. FLOURNOY: Is there any objection to approving that item? (No response)

MR. HORTIG: By this action the Commission will only be accepting these lands and completing this exchange. The further sale, if any, is still subject to final approval by the State Lands Commission.

MR. FLOURNOY: Without objection, it will be so ordered, then.

MR. HORTIG: And the balance of the items, (b), (c), and (d) are straightforward authorizations for sale to the highest qualified bidder; in items (b) and (c) with the appraised price as the minimum bid, and item (d) for sale at the appraised price but without competitive public bidding because the sale would be to the Department of Public Works, Division of Highways.

GOV. FINCH: When did negotiations begin on item (b), roughly?
MR. HORTIG: I do not have that before me, but in all probability it was within the past year because this was a straightforward sale.

April 14, 1966 the application was received, but this was an application to purchase lands to which the State Lands Commission had full clear title and so there was no imposition or problem of acquiring these lands from the Federal Government first.

GOV. FINCH: This just raises the overall policy of whether we are peddling lands for the sake of peddling it, where we do have clear title; whether we want to take a halt at some point; whether we want to let that land go.

MR. HORTIG: There is one significant item already in the policy and you will note it in the heading, Governor. These are all cleared with all State agencies having a land acquisition program. So it has been determined that there is no State agency that has a program in the foreseeable future where they feel there would be a higher public use.

GOV. FINCH: This would be the Inyo School Board?
MR. HORTIG: No, the State agencies -- not the local districts.

GOV. FINCH: Are they consulted?
MR. HORTIG: They are sent a notification and can object.

GOV. FINCH: And there was no objection?
MR. HORTIG: There have not been. With respect to
the preceding item, item (a), there have already been indications -- and I mentioned there would be further approval of the Lands Commission required -- there are probabilities that there will be public agency objection to that item.

Gov. Finch: All right.

Mr. Flournoy: If there is no further discussion on these three items -- (b), (c), and (d) -- without objection the sales will be authorized.

Item 8 -- Proposed annexations.

Mr. Hortig: After approval by a local agency formation commission where annexation of tide and submerged lands is desired, the statutes require that the State Lands Commission review the boundaries of the proposed annexation to determine that it is reasonable, equitable, will not interfere with the coastal activities of adjoining communities, and will also eliminate the possibilities of shoestring annexations to the detriment of other upcoast or downcoast organizations.

In this instance, it is recommended that, inasmuch as the area proposed to be annexed is immediately offshore an area that has already been annexed on the upland, the proposed boundaries be approved at this time.

This is also step one in an annexation proceeding, in that after this approval request must be made by the proposed annexing agency for a valuation of the tide and submerged lands by the State Lands Commission, and a statement
of objection or nonobjection to the proposed annexation, which will be before the Commission in the future.

This approval today does not constitute a commitment in ...

GOV. FINCH: It merely approves the boundaries.

MR. HORTIG: It merely approves the boundaries, in order that additional procedural steps that are specified can be carried forward.

MR. FLOURNOY: Any objection to approve the annexation at this time? (No response) No objection, so ordered.

Item 9 -- Boundary agreements and determinations.

We have some four items there.

MR. HORTIG: Items (a), (b) and (c), Mr. Chairman, represent a series of boundary determinations in Santa Monica Bay, determining the boundary line between granted tide and submerged lands and lands still under the possible jurisdiction of the State Lands Commission, where because of artificial conditions having interposed it becomes feasible to fix the boundary lines for all times by boundary agreements, as authorized in the statute, adopted by the State Lands Commission.

These are also with the consent and approval of the Office of the Attorney General and will permit the development of adjoining uplands, in that the upland owner will for the first time have a legally certain boundary and thereby be in a position to complete his title insurance and financing.
Items (a), (b) and (c) are, therefore, recommended.

MR. FLOURNOY: Are there any objections to those boundary agreements being executed? (No response) Without objection, (a), (b) and (c) are approved and authorized.

How about item (d)?

MR. HORTIG: Item (d) is somewhat analogous in that it provides generally, rather than specifically, with respect to one upland operator a formalization of the boundary line between the State jurisdiction and the low water mark and the adjoining uplands.

While it has been standard practice for many years to consider elevation zero on the Rumsey Gauge on Clear Lake to depict the location of the low water mark of Clear Lake -- and this has been utilized both by other State agencies and the State Lands Division in Clear Lake and by local commissions on the upland; and, indeed, in litigation locally, which litigation the State was not a party to -- it was felt desirable, in order to establish a clear boundary under which the planning commissioners and local owners can operate, that the Lands Commission should formalize the understanding that the low water mark and boundary between State and privately owned land at Clear Lake is the intersection of zero on the Rumsey Gauge at an elevation of 1,318.65 feet, sea level datum of 1929 as modified by the 1956 adjustment of the Coast and Geodetic Survey with the last natural shore line.

GOV. FINCH: Did the Supervisors act on this?
MR. HORTIG: Individually they are in favor of a fixation of this boundary line.

GOV. FINCH: This covers the entire lake?

MR. HORTIG: Yes, sir. As a matter of fact, this is a part of a survey that was incumbent upon the County of Lake as a result of leases from the State, pursuant to legislative directive, which, however, was never consummated; and, in turn, the County quitclaimed the leases back to the State. So the problem came back to the State Lands Division within the past two years, which is why this action today is desirable, even after this long delay.

GOV. FINCH: Will this leave any problems with respect to construction on some work that has been done?

MR. HORTIG: Very definitely. There has been filling and some construction on the water side of this boundary line to be formalized.

GOV. FINCH: Will the resolution of those problems be up to the Supervisors there or will it come back to the State Lands Commission?

MR. HORTIG: No, it will be a problem of the State Lands Commission in negotiating settlement or leases; but for staff support it is desirable to have Lands Commission formalization, so that the boundary line under discussion is universally agreed to be the boundary line.

MR. FLOURNOY: Without objection, we will fix that boundary line.
Item Number 10 -- Administration.

MR. HORTIG: I believe it is self-explanatory, Mr. Chairman.

MR. FLOURNOY: Are there any objections to accepting $10 for payment of the State's 1/16th mineral interest in a parcel near Twentynine Palms, which I do not understand has any minerals there, but the total consideration is $10? Is there any objection to that item to authorize the execution of that stipulation? (No response) Without objection, it will be so authorized.

Item (b) -- Confirmation of schedule of meetings of the State Lands Commission for the 1967 calendar year.

MR. HORTIG: It is proposed that the meeting schedule for the State Lands Commission for the balance of the year be set for the fourth Thursday for each month, with the exception of November, where the fourth Thursday would fall on Thanksgiving and, therefore, the fifth Thursday would be substituted.

MR. FLOURNOY: If we adopt this, it doesn't mean we can't change it?

MR. HORTIG: No, sir. At any time, at the request of the Commission, we will resolve a conflict; but it is helpful both to the staff and the public to have an indication of the meetings.

MR. FLOURNOY: Is there any objection to setting that schedule? (No response) So confirmed.
Item 11: (a) Report on status of major litigation.

MR. HORTIG: I don't believe there is any amplification over the written report, except -- if I may ask the Deputy Attorney General --

Would you like to report on that, please?

MR. ABBOTT: Mr. Chairman, on the item of Standard Oil Company v. City of Carpinteria, et al., one of the et als being the State Lands Commission, they have now filed their petition for a writ of mandate and an alternative writ has been issued, returnable on March 16th in Los Angeles Superior Court.

The basic problem is an annexation of tide and submerged lands. The County of Santa Barbara is the grantee in trust and the State has reserved the minerals. Standard and Richfield are the State lessees on most of the area.

Pursuant to the statute, the State Lands Commission first fixed the boundaries and later submitted valuation of the State interest, which valuation is considerably higher than the Assessor's valuation of Standard's interest. Consequently, Standard's protests to the annexation were not effective because they did not have fifty percent of total value, so Standard is challenging the Lands Commission on two counts -- that the valuation should be reduced to twenty-five percent and, two, even if it is reduced, they challenge the method used by the State Lands Commission.

They are also challenging the County Assessor's
method in which he apportioned improvements on the lease.

MR. FLOURNOY: Standard Oil has protested the
annexation on the basis of their share interest and if they
get this change, their protest will be taken care of?

MR. ABBOTT: Yes, sir.

GOV. FINCH: On Calendar Item 4, on what basis does
Fluorite base its title? Is that the situation where they
established a facility where they thought they had acquired
legitimate title?

MR. ABBOTT: Yes, sir. Their basic claim was that
this wasn't State land -- the mine was somewhere else. On
that portion, the court has ruled in our favor. The only
question left is the question of damages. They have counter
claims of damages; and the negotiations are proceeding, as I
understand it, quite well at this point.

GOV. FINCH: Is this another case where there was
some question -- where, if we had resources in the State
Lands Commission to post this property, maybe it wouldn't
happen?

MR. HORTIG: It is possible, Governor. With
600,000-odd acres scattered through thirty-eight counties in
California, the maintenance of an effective posting system
might be difficult. On the other hand, more frequent evalua-
tion and inspection of the lands, if we had the resources,
would certainly be justified and would also probably have
precluded this operation taking place.
GOV. FINCH: How long were they in there operating and to what extent did they have the facility before we discovered they were on State lands?

MR. HORTIG: They were in there for many years and established a large mill, complete with equipment, all of which was not discovered except fortuitously as a result of an application to purchase other vacant State land in the county in the general vicinity. When the appraiser went to appraise the land for which application had been made, he discovered this large structure and facility on lands which, according to his records, were vacant State school lands; and this is what served as a basis for the notice to the applicant.

I might point out under Federal mining law, a mining location may be filed on any of the public domain. Literally, however, all vacant State school land in California, which is not subject to Federal mining law, has had Federal mining claims posted on it. They are invalid, but somebody has gone to the effort of doing it; and this is probably one of the most enthusiastic developments that was discovered on State land, where the Federal mining law was not applicable.

MR. FLOURNOY: Is there any other discussion with regard to the status of the cases? (No response) If not, we will move on to the last item of our agenda -- proposed 1967 legislation.
MR. HORTIG: If I may, Mr. Chairman, refer you, starting on page 77, it is proposed that a series of bills be authorized to be introduced on behalf of the State Lands Commission, in order to achieve clarification and elimination of ambiguities of which we have been made aware during the past year.

For example, Exhibit A: Section 1007 of the Civil Code for many years has stated that title could not be acquired by prescription, adverse possession, and so forth, of public property, listing county, city, and county, city irrigation districts, and so forth; and as long as it is in the Civil Code, because it was a State statute, everyone including the Office of the Attorney General have read this as meaning it was applicable to the State.

We have now had the question raised that since the State is not specifically mentioned herein, it does not apply to the State; and we are recommending that the Legislature add "the State," as stated. This would be a clarification of existing law and would not constitute a change.

MR. FLOURNOY: Do you want to take these up individually?

MR. HORTIG: Either way.

MR. FLOURNOY: I have looked over most of them and I assume most of the members have looked over them.

MR. KAYLOR: They are all very similar.

MR. FLOURNOY: I think we ought to recommend the
program as outlined be proposed to the Legislature by the Executive Officer of the State Lands Commission.

Are there any other items to be taken up?

GOV. FINCH: I'd like to ask the progress on filling the various vacancies and ask Mr. Hortig where he stands with regard to Smith's department.

MR. HORTIG: Having conferred as of nine o'clock this morning with Mr. Smith and Chief Deputy Director, Mr. Kaylor, I am happy to report that I have unanimous directive from members of the State Lands Commission to proceed with carrying out the mechanics of filling all existing vacancies that are included in the authorized budget of the State Lands Commission.

GOV. FINCH: Specifically, how many positions will be involved, Mr. Hortig?

MR. HORTIG: We have a problem of establishment of six positions for next year at Long Beach, which is still under discussion; and I am getting an estimate of other State Lands Division personnel -- between twenty and twenty-five.

MR. FLOURNOY: Total vacancies?

MR. HORTIG: Total vacancies.

MR. FLOURNOY: Any other questions?

MR. HORTIG: I think I should report to the Commission, lest someone feel for the public record that the Commission is not completely informed, that the operations with
respect to the development of the Long Reach Unit are in part currently subject to a strike being conducted by Equipment Operators' Union against the drilling contractor who has the contract for drilling the wells on Island A for the THUMS organization.

I had word this morning that not only THUMS, but the City and State offices were also being picketed.

Drilling operations are still going forward to the extent that there is equipment available on the island and all the wells that have been on production are continuing on production, as well as all injection wells.

THUMS and the City of Long Beach, having day to day operational control, are in continuous negotiations with respect to resolution of this strike. The Assistant Manager of Operations for THUMS is with us this morning if the Commission would like any further details or have any specific questions; but we feel for the public record it should be noted that the Commission has been notified.

GOV. FINCH: What is the precise basis for the grievance?

MR. HORTIG: Harry?

MR. AGGERS: We have ....

MR. FLOURNOY: Will you identify yourself for the record?

MR. AGGERS: Harry D. Aggers. I am Vice President of THUMS. We have executed a contract with Island Drilling
Company, which is a Denver, Colorado corporation. They, in turn, were in the process of moving equipment on Island E and had rigged up one well when the Operating Engineers of Local 12 evolved an organizational picket line.

The problem seems to be that Island is asking for an NLRB election for their people to determine whether they want a union or don't want a union. One other dispute is whether the drillers should be in the union or out, on the basis they are supervisory employees.

So the two issues have not been settled, although there is a hearing scheduled for tomorrow on the question of whether the drillers should be in or not; but the date has not been set for the election.

The Operating Engineers feel they have enough intent cards to represent themselves without an election and they want to enter negotiations on a contract basis. They feel more than fifty percent of the employees want them to negotiate.

GOV. FINCH: How many employees are we talking about?
MR. AGGERS: At the present time there are fifty, but there will be probably a hundred.

MR. KAYLOR: Is this a legal strike?
MR. AGGERS: Well, it appears to be. The strike, or the picket line, was placed first around the boat landings and it was placed by the Strike Council of the Long Beach Building Trades Council; and they picketed our boat landings
because they were alleged to be the entrance or departure
gate to our facilities.

This council constitutes about twenty-two different
unions -- welders, construction men and other trades; and the
teamsters would not pass the picket line.

The Inland Boatmen Union, who operate the boats, are
not a party to this because they don't belong to the Building
Trades Council, so our boats are still operating, but union-
represented firms will not cross the picket lines.

So we cannot supply the islands with material and
as soon as our supplies are exhausted, then our drilling
operations will be shut down. However, our construction opera-
tions are completely shut down.

As of yesterday morning, THUMS, City of Long Beach
and State of California were named on the picket signs. Up
to that time, it had been only Island Drilling Company that
had been named on the picket line. Now they have enlarged it
on the basis -- THUMS, because we are the prime contractor
to the City and this is a subcontractor to us; we in turn
have a contract with the City of Long Beach; and they in turn
mention the State of California.

GOV. FINCH: I am a little hurt they didn't mention
us by name -- the State Lands Commission.

MR. FLOURNOY: Do you have any idea how long this
will carry on?

MR. AGGERS: We don't have any idea. We will
probably be able to operate our drilling wells for two weeks
and then they will be shut down.

MR. FLOURNOY: And you have no idea when the elec-
tion will be set?

MR. AGGERS: I believe the election must be set by
agreement between the employer and the union and they have not
set an election date yet. I don't feel the union wants an
election because they feel they have enough of these cards to
indicate that they should be the bargaining agent and they
feel this is adequate without an election; but there is an
election in the wind someplace because an application has
been made before the International Labor Relations Board for
an election, but no date has been set.

MR. FLOURNOY: Thank you.

Any other matters? (No response)
I will entertain an appropriate motion.
GOV. FINCH: I move we adjourn.
MR. FLOURNOY: We will be back the 23rd of March.

ADJOURNED 10:45 A.M.
CERTIFICATE OF REPORTER

I, LOUISE H. LILlico, reporter for the Office of Administrative Procedure, hereby certify that the foregoing twenty-three pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION of the STATE OF CALIFORNIA at Sacramento, California, on February 23, 1967.

Dated: Los Angeles, March 6, 1967.

Louise H. Lillico