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STATE LANDS COMMISSION  
of the  
STATE OF CALIFORNIA

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Regular Meeting of the State  
Lands Commission held at 115  
State Building, Los Angeles  
California, at 10:00 A.M.,  
October 8, 1957.

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

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Reported by:  
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I N D E X

	<u>CALENDAR ITEM</u>	<u>CALENDAR PAGE</u>	<u>TRANSCRIPT PAGE</u>
1			
2			
3	1	32	12
4	2	13	7
5	3	13	7
6	4	24	7
7	5	13	7
8	6	11	52
9	7	8	12
10	8	10	17
11	9	13	7
12	10	14	7
13	11	14	7
14	12	14	7
15	13	14	7
16	14	14	7
17	15	6	13
18	16	25	8
19	17	5	39
20	18	1	19
21	19	26	9
22	20	28	10
23	21	30	11
24	22	9	6
25	23	39	68
26	24	41	91

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COMMISSION MEMBERS:

JOHN M. PEIRCE, Chairman  
HAROLD J. POWERS, Member  
ROBERT C. KIRKWOOD, Member

STAFF MEMBERS:

F. J. Hortig, Acting Executive Officer  
Frank W. Porter, Administrative Assistant  
Julia T. Stahl, Secretary

APPEARANCES:

For the Commission: EDMUND G. BROWN, Attorney General,  
by Jay Shavelson, Deputy Attorney  
General.

Assemblyman Clayton A. Dills, in pro per

For Standard Oil Company: Marcus Mattson, Esq.

For Western Gulf Oil Company: James G. Leovy, Esq.

For Humble Oil & Refining Company: William Gardner, Esq.

For Edwin W. Pauley Associates: Glenn R. Watson, Esq.,  
and J. Barton Hutchins.

1 Los Angeles, California, Tuesday, October 8, 1957, 10:00 A.M.

2 (Chairman John M. Peirce and Harold J.  
3 Powers are present.)

4 CHAIRMAN PEIRCE: The meeting will come to order. I  
5 want to recognize the presence of Senator Richard Richards  
6 and Assemblyman Allen Miller. We are glad to have both  
7 of you here. Also, Assemblyman Dills. We are glad to have  
8 all three of you here and welcome your participation in  
9 our deliberations today.

10 Now, the Lieutenant Governor will be somewhat  
11 late; he may not arrive about 11:00 o'clock. We  
12 will proceed with the agenda and try to avoid any  
13 controversial items until he gets here.

14 The first order of business is the confirmation  
15 of the minutes of the State Lands Commission which took  
16 place on September 13th. Copies have been mailed to the  
17 members of the Commission. Do they meet with your  
18 approval, Mr. Kirkwood?

19 MR. KIRKWOOD: No technical changes.

20 CHAIRMAN PEIRCE: The minutes will stand approved as  
21 written.

22 Now do you desire to discuss the question of the  
23 next meeting of the Commission, Mr. Hortig, or shall we  
24 wait until the Lieutenant Governor arrives? We have to  
25 meet before November 15th, don't we?

26 MR. HORTIG: Preferably.

1 CHAIRMAN PEIRCE: Perhaps we better leave that for  
2 later determination.

3 MR. HORTIG: That will be satisfactory.

4 CHAIRMAN PEIRCE: Mr. Hortig, will you proceed with  
5 the agenda, bearing in mind any items in which the  
6 Lieutenant Governor may wish to participate, should be  
7 held until his arrival.

8 MR. HORTIG: Mr. Chairman, may I suggest that extra  
9 to the prepared agenda you have received, is a request  
10 from the City of San Francisco by Mayor Christopher relative  
11 to the desire of the City to make a presentation to the  
12 State Lands Commission on problems they have with respect  
13 to acquisition of State lands. The representatives for the  
14 City of San Francisco are here. If it is convenient, you  
15 might hear them at this time.

16 CHAIRMAN PEIRCE: Are you gentlemen from San Francisco  
17 in a hurry to return to your home city? The Lieutenant  
18 Governor is not here yet, and I feel it might be advantageous  
19 if you defer your presentation until he arrives.

20 MR. WARD: We can wait, Mr. Chairman. We have until  
21 3:00 o'clock to catch a plane to go back.

22 MR. KIRKWOOD: We hope to be through long before that.

23 CHAIRMAN PEIRCE: We hope to be through before noon,  
24 as a matter of fact.

25 Mr. Hortig, we will hold that in abeyance and  
26 proceed with the next item in order.

1 MR. HORTIG: Calendar Item 22, Page 9, gentlemen.

2 The Construction Aggregates Corporation is  
3 lessee under a State Mineral Extraction Lease in San  
4 Francisco Bay providing for the removal of sand and gravel  
5 in two areas known as the Fort Knox and Presidio Shoals.  
6 No extraction operations have actually been taken under  
7 the lease to date, however, the lessee is interested in  
8 continuation of the lease because of several prospects for  
9 future operations, and feels that the performance of minimum  
10 shift requirements without commercial removal of material  
11 would serve no useful purpose. It has therefore been  
12 requested that the shift requirements in the operations  
13 for the lease years of 1956-1957 be waived. In consideration  
14 of the lack of competition in bidding at the time of the  
15 lease offered, and the fact that annual rentals have been  
16 paid by the lessee and that no State lands have actually  
17 been occupied and utilized, it is recommended that the  
18 Commission authorize a grant of deferment of the operating  
19 requirements specified in Section 10 of Mineral Extraction  
20 Lease 709 for the lease years ending February 13, 1956 and  
21 February 13, 1957, all other terms and conditions and  
22 performance requirements under the subject lease will  
23 remain unchanged.

24 MR. KIRKWOOD: All right, I move it clear.

25 CHAIRMAN PEIRCE: The recommendation is approved.

26 MR. HORTIG: Page 11, Item 6. It seems to me this one

1 should be deferred to the arrival of the Lieutenant Governor.

2 Page 13, Calendar Items 2, 3, 5 and 9 summarized  
3 thereon represent the recommendations for the sale of  
4 vacant State school land, for cash, at the highest offer,  
5 in accordance with the following tabulation, such sales  
6 to be subject to all statutory reservations including  
7 minerals. These are all pursuant to high bids received  
8 and have been processed in the routine manner. There are  
9 no objections to these conveyances.

10 MR. KIRKWOOD: Move the recommendation.

11 CHAIRMAN PEIRCE: All right, the recommendation is  
12 approved.

13 MR. HORTIG: I should like to call the attention of  
14 the Commission that on Page 14 there are similarly five  
15 additional items, also routine, for sale to the highest  
16 bidder without objection.

17 CHAIRMAN PEIRCE: Aren't these a part of the  
18 recommendation we have just approved?

19 MR. HORTIG: They are, sir, but I had not directed the  
20 Commission's attention to them.

21 CHAIRMAN PEIRCE: Altogether nine items; we have  
22 approved them.

23 MR. HORTIG: Page 24. Pursuant to an application  
24 previously filed by the Department of Natural Resources,  
25 Division of Forestry, the State has been offered Federal  
26 lands desired by the Division of Forestry. These lands have

1 been listed to the State by the Federal Government.

2 It is recommended that the Commission determine  
3 that it is to the advantage of the State to select the  
4 Federal land comprised in Lots 1, 2 and 3 of Section 6,  
5 Township 5 South, Range 18 East, Mariposa County, containing  
6 59.34 acres; that the Commission find that said Federal  
7 land is not suitable for cultivation without artificial  
8 irrigation; that the Commission select and authorize the  
9 sale of said land, for cash to the Division of Forestry at  
10 the appraised cash price of \$1,246.14 plus expenses, or a  
11 total of \$1,320.14, subject to all statutory reservations  
12 including minerals.

13 CHAIRMAN PEIRCE: What is the Division of Forestry  
14 going to use this land for?

15 MR. HORTIG: Specifically I do not recall, but I  
16 believe it was primarily as a site, an operating site for  
17 field facilities of the Division of Forestry. It was not  
18 part of an augmented forestry program; however, this is  
19 the consummation of an application of several years  
20 standing. It is only now that we have had the land finally  
21 listed by the U.S. Bureau of Land Management. It is not  
22 a new application.

23 CHAIRMAN PEIRCE: All right?

24 MR. KIRKWOOD: Yes.

25 CHAIRMAN PEIRCE: The recommendation is approved.

26 MR. HORTIG: Page 25. Under the 1952 statutes the

1 Commission was authorized to exchange certain lands in  
2 Corte Madera Creek for privately-owned lands. The  
3 authorization was augmented by the Statutes of 1957 to  
4 provide that the Commission might also convey -- also  
5 is authorized to convey the mineral reservations in such  
6 land. In a final title review of land to be exchanged it  
7 was found that lands formerly thought to have been owned  
8 by the State and to be offered in exchange were actually  
9 already owned by persons desiring to complete the exchange.  
10 In order to clarify the title situation, Schultz Construction  
11 Company desirous of completing the exchange has submitted  
12 a grant deed to the State for the lands formerly claimed  
13 by the State in order that the exchange may be completed  
14 in accordance with the terms of the Statute. It is  
15 recommended that the grant deed from Schultz Construction  
16 Company be accepted by the Commission, and thereafter the  
17 previously-authorized exchange will be completed.

18 CHAIRMAN PEIRCE: All right?

19 MR. KIRKWOOD: I don't see how the State can lose  
20 on that.

21 CHAIRMAN PEIRCE: Not on the ground. All right, the  
22 recommendation is approved.

23 MR. HORTIG: Mr. Chairman, would you desire to consider  
24 Long Beach subsidence projects which are of a routine nature?

25 CHAIRMAN PEIRCE: Yes.

26 MR. HORTIG: Page 26. The Commission has previously

1 approved on a fiscal year basis a project entitled the  
2 Pier A area project. Operations on this project have  
3 developed the fact that additional unforeseen costs will  
4 be incurred by the Harbor Department arising from work  
5 found necessary to be done in connection with the repairs  
6 and support of the concrete wharf and the bulkhead at  
7 Berth 5, which it could not estimated prior to actually  
8 undertaking construction operations in the area. The  
9 project has received initial staff review, and is  
10 considered --

11 MR. KIRKWOOD: I move the recommendation.

12 MR. HORTIG: -- to include some "subsidence costs"  
13 as defined under Chapter 29. It is recommended that the  
14 Commission approve such costs proposed to be expended by  
15 the City of Long Beach, including subsidence remedial work  
16 for the balance of the fiscal year.

17 MR. KIRKWOOD: I so move.

18 CHAIRMAN PEIRCE: All right, the recommendation is  
19 approved.

20 MR. HORTIG: Page 28. As the Commission is aware,  
21 the subject of property purchase and areal fill is a  
22 project being conducted for subsidence protection by the  
23 City of Long Beach; it has been reviewed and approved in  
24 part on a month to month basis while determining the final  
25 legal qualifications on which the entire project may be  
26 approved in the future. Therefore application has again

1 been received from the City and it is recommended that the  
2 Commission conditionally approve the Town Lot area project  
3 as a subsidence project and the costs proposed to be  
4 expended as shown on an attached Exhibit A, in which costs  
5 are proposed to be expended for acquisition during October  
6 and November, 1957.

7 MR. KIRKWOOD: There is now no policy involved in  
8 here?

9 MR. HORTIG: No new policy except the one item, sir.  
10 I might call your attention to the footnote on the bottom  
11 of Page 29. While it is proposed that the expenditures  
12 will be made during October and November, it is suggested  
13 that a final terminal date of June 30, 1958, be permitted,  
14 because it is sometimes not possible to actually complete  
15 the expenditures in the month for which they are approved,  
16 if the approval is limited to one month, so we propose  
17 to limit the completion of these projects to the end of  
18 the fiscal year.

19 MR. KIRKWOOD: That is agreeable to Long Beach?

20 MR. HORTIG: Yes, sir.

21 MR. KIRKWOOD: All right, I move the recommendation.

22 CHAIRMAN PEIRCE: The recommendation is approved.

23 MR. HORTIG: The matter of the project for a new  
24 location and construction of an administration building in  
25 the Long Beach harbor area has been under extended discussion  
26 with the Staff. The Commission has heretofore approved

1 conditionally on a month to month basis the execution of  
2 necessary preliminary work pending solution or determination  
3 of the basis on which the entire project can be approved.  
4 It is again recommended that the expenditures proposed for  
5 Force Account and engineering expense for preliminary work  
6 be approved for the month of November, 1957.

7 MR. KIRKWOOD: Move the recommendation.

8 CHAIRMAN PEIRCE: The recommendation is approved.

9 MR. HORTIG: Pages 32 to 38 contain a tabulation of  
10 transactions consummated on the executive authority granted  
11 by the Commission. It is recommended the Commission  
12 confirm the issuance of these various easements, permits  
13 and assignments which have been authorized by the Commission  
14 heretofore, all of which have been issued pursuant to  
15 standard policies, rules and regulations of the Commission.

16 MR. KIRKWOOD: I move the recommendation.

17 CHAIRMAN PEIRCE: The recommendation is approved.

18 MR. HORTIG: Page 8. On July 15th the Commission  
19 authorized the offering of an area in Owens Lake for lease  
20 for extraction of minerals from the lands and waters of  
21 Owens Lake. Pursuant to this offered lease, one bid was  
22 received from the Columbia-Southern Chemical Corporation.  
23 However, on the review of the bids it is the opinion of  
24 the Office of the Attorney General that the bidder failed  
25 to comply with the conditions of the offer and the royalty  
26 provisions of the Public Resources Code. Therefore, it is

1 recommended that the Commission reject the bid of Columbia-  
2 Southern Chemical Corporation for subject lease.

3 MR. KIRKWOOD: Does anyone wish to be heard on this?

4 CHAIRMAN PEIRCE: Is there anybody who wishes to be  
5 heard with respect to this Columbia-Southern Chemical  
6 Corporation?

7 MR. KIRKWOOD: I move the recommendation.

8 CHAIRMAN PEIRCE: Being guided by the recommendation  
9 of the Attorney General in this regard, the recommendation  
10 is approved.

11 MR. KIRKWOOD: What happens on that, Frank? Do they  
12 have to put up costs on that?

13 MR. HORTIG: Yes, sir.

14 MR. KIRKWOOD: So the State isn't out?

15 MR. HORTIG: They pay the costs of advertising.

16 Page 6, gentlemen. In brief, a town lot in the  
17 Bandini area of Los Angeles County was acquired by the  
18 State through escheat proceedings. The land was sold by  
19 the Office of the State Controller with reservation of  
20 minerals to the State. The administration of the mineral  
21 reservation has heretofore been transferred by the Controller's  
22 Office to the State Lands Commission. Richfield Oil  
23 Corporation has submitted a request that the Lands Commission  
24 approve inclusion of the subject land in a community lease  
25 which is already effective in the majority of or all of  
26 the other property in the area. The form of the lease has

1 been reviewed by the Office of the Attorney General with  
2 the conclusion that the Lands Commission may properly  
3 authorize the execution of the lease. It is recommended,  
4 therefore, that the Lands Commission authorize the acting  
5 executive officer to enter into a lease with the Richfield  
6 Oil Corporation in accordance with the terms and conditions  
7 of the lease form submitted by the Richfield Oil Corporation  
8 and as approved by the Office of the Attorney General, for  
9 the extraction of oil and gas from a parcel of land in  
10 Los Angeles County described in the following, containing  
11 eight one-hundredths of an acre.

12 MR. KIRKWOOD: There is no need for competitive  
13 bidding under the circumstances?

14 MR. HORTIG: No, sir, there is no way the land could  
15 be offered for competitive public bidding. There is a  
16 question as to surface rights. There is an inadequate  
17 amount of surface right to permit the placement of a  
18 derrick on this land under Division 3 of the Public  
19 Resources Code. The land is surrounded by, and if there  
20 is production, will undoubtedly be drained by means of  
21 operations under the community lease. The projection is  
22 provided under the statutes. After the State Oil and Gas  
23 Supervisor approved the pooling arrangements, as he has  
24 in this case, the protective feature is for the land owner  
25 to join in the community lease. The Attorney General's  
26 office has dictated this is appropriate for the Lands

1 Commission in this instance.

2 CHAIRMAN PEIRCE: Mr. Shavelson.

3 MR. SHAVELSON: These are escheated lands, and at the  
4 time that the Controller first conveyed the lands to  
5 private owners they were compelled to reserve the mineral  
6 rights, but subsequently the Statute has been changed,  
7 and it -- and presently provides there is no necessity  
8 for reserving mineral rights for escheated lands, and  
9 further provides that where mineral rights may be preserved,  
10 they may be disposed of in such manner as the Commission  
11 may determine. This means in our opinion there is no  
12 necessity for competitive bidding for escheated lands or  
13 mineral rights.

14 CHAIRMAN PEIRCE: No necessity for competitive bidding,  
15 but is there any objection to having competitive bidding?

16 MR. SHAVELSON: No, sir. I believe that the Commission  
17 has broad discretion. I believe in this particular case,  
18 it is my understanding, that it would be impractical; but  
19 the Commission has a broad discretion to convey these  
20 mineral rights in whatever manner it wishes to.

21 CHAIRMAN PEIRCE: Mr. Hortig, is this lot situated on  
22 top of a producing oil field?

23 MR. HORTIG: It is situated in an area which may be  
24 potentially productive; however, due to its limited area,  
25 as I commented previously, there is no basis on which anyone  
26 other than the holder of the community lease could develop

1 the oil and gas from beneath this lot, because this lot  
2 in itself is of insufficient acreage to permit development  
3 by drilling on the lot itself.

4 MR. KIRKWOOD: How was the royalty rate established?

5 MR. HORTIG: As they were announced at the time of  
6 the negotiations of the community lease with all the  
7 adjoining property owners.

8 MR. KIRKWOOD: That is what is being paid on the other  
9 property?

10 MR. HORTIG: Yes, sir.

11 CHAIRMAN PEIRCE: What is the value of this?

12 MR. HORTIG: In terms of royalty?

13 CHAIRMAN PEIRCE: In terms of dollars.

14 MR. HORTIG: If we would sell this interest?

15 CHAIRMAN PEIRCE: If we would sell the interest; would  
16 it involve \$50 or \$1,000?

17 MR. HORTIG: We would recommend withholding an  
18 appraisal of the value of the land for sale until there  
19 has been further development in the area.

20 CHAIRMAN PEIRCE: In other words, we are not  
21 recommending that it be sold at this time?

22 MR. HORTIG: No, sir, simply that it be leased or  
23 included in the community oil and gas lease on a lease  
24 basis.

25 CHAIRMAN PEIRCE: Approved?

26 MR. KIRKWOOD: All right.

1 CHAIRMAN PEIRCE: All right, the recommendation is  
2 approved.

3 MR. HORTIG: Page 10, gentlemen.

4 MR. KIRKWOOD: 10?

5 MR. HORTIG: Yes. The Commission, pursuant to a  
6 1956 request of the Division of Beaches and Parks,  
7 authorized withdrawal from public sale 163 acres of land  
8 in Imperial County to permit future purchase of the land  
9 by the State Park Commission. The concurrent negotiations  
10 being conducted for Federal lands by the Division of  
11 Beaches and Parks have not been completed, therefore the  
12 Division has requested that the Commission authorize the  
13 extension of the withdrawal on the State lands to permit  
14 completion of the Federal negotiations, subsequent to  
15 which time it is the desire of the State Park Commission  
16 to purchase these lands, State lands. Therefore, it is  
17 recommended that the Commission extend the withdrawal from  
18 public sale of the designated lots containing 163.72  
19 acres in Imperial County until June 30, 1959, for purchase  
20 of the land by the State Park Commission at the appraised  
21 value, without advertising.

22 MR. KIRKWOOD: Has anybody else been interested in this  
23 land?

24 MR. HORTIG: No, sir, no other applications were  
25 presented.

26 MR. KIRKWOOD: I so move.

1 CHAIRMAN PEIRCE: The recommendation is approved.

2 MR. HORTIG: If the Chairman please, I believe this  
3 completes substantially the items on the agenda that the  
4 Commission may wish to consider prior to Lieutenant Governor  
5 Powers' arrival. A recess may be in order.

6 CHAIRMAN PEIRCE: All right, the Commission will  
7 recess until the Lieutenant Governor arrives, which should  
8 be within the next ten minutes.

9 (Recess.)

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1 (Lieutenant Governor Harold J. Powers  
2 entered the room.)

3 CHAIRMAN PEIRCE: All right, the meeting will come to  
4 order. A number of items have already been disposed of  
5 and now we have a few remaining wherein it was desired to  
6 have the Lieutenant Governor's participation. He is now  
7 with us, so, Mr. Hortig, will you proceed with the agenda.

8 MR. HORTIG: If the Chairman please, we might now  
9 proceed through the remaining calendar simply in the order  
10 in which the items happen to appear, starting on Page 1.

11 On August 8th the Commission authorized the  
12 initiation of procedures for consideration of amendments  
13 and additions to the Rules and Regulations. Pursuant to  
14 this authorization, the proposed amendments and additions  
15 were published, with a specification that statements  
16 relative thereto would be received during the thirty-day  
17 period terminating September 30th. One statement was  
18 received, and the proposed modifications have also been  
19 reviewed further by the Office of the Attorney General. In  
20 consideration of this statement and the aforesaid review,  
21 it is suggested that the proposed Rules and Regulations,  
22 two of them at least, be adopted in modified form as  
23 follows. Inasmuch as there are personal appearances here  
24 this morning and there will probably be comments of  
25 different nature with respect to the three rule amendments  
26 and additions proposed, recommendations will now be made

1 separately to the Commission.

2 First, on the amendment to Section 2100 (b),  
3 as it appears on Page 3. The language recommended to the  
4 Commission is identical with that which was published,  
5 which has been reviewed by all parties. There have been  
6 no suggestions or dissensions for any change from the  
7 published text.

8 Section 1913, relating to the joint bidding,  
9 has been proposed for modification in the second sentence,  
10 first by the addition of the word "joint bid." This  
11 modification is actually to conform the regulation to the  
12 statute so that there may be no future question that the  
13 meaning of the regulation is different than that of the  
14 statute.

15 Secondly, the statute indicates that in the  
16 event of a bid by an association of persons, including  
17 a partnership, that the names and addresses of the persons  
18 holding interest shall be submitted with the bid as a  
19 practical matter in connection with participation in a  
20 joint bid by a partnership having limited partners, who  
21 may be very numerous. The mere submittal of the list of  
22 names would not achieve anything for the Commission in  
23 terms of determining the qualifications of the limited  
24 partners. The limited partners are not in position to join  
25 in the management, operation or control of the lease, there-  
26 fore it is suggested that the limited partners, as such,

1 need not be specified to the Commission provided that,  
2 as has already been proposed on Page 5 of the Calendar,  
3 a policy determination will be made by the Commission  
4 subsequently to be considered for adoption as a rule, that  
5 in the future bids submitted by partnerships, either  
6 jointly or individually, will provide that with the  
7 submittal of the bid the partnership shall submit a sworn  
8 statement in the form of an affidavit or certified state-  
9 ment that each and every limited partner is duly qualified  
10 under Section 6801 of the Public Resources Code, which  
11 qualification is a determination that the Commission must  
12 make in connection with the issuance of leases.

13           At this point it might be most advantageous to  
14 the Commission, I believe, if additional proposals which  
15 may be made by persons in attendance here and discussion  
16 be presented with respect to the proposed language for  
17 Section 1913.

18           CHAIRMAN PEIRCE: Who desires to be heard with respect  
19 to this proposed regulation?

20           MR. MATTSON: I do, Mr. Chairman, not particularly  
21 with regard to limited partnerships, but with regard to  
22 joint bidding.

23           CHAIRMAN PEIRCE: All right, will you step forward  
24 at this time, please, and would you give your name for the  
25 record.

26           MR. MATTSON: My name is Marcus Mattson. I represent

1 Standard Oil Company.

2 CHAIRMAN PEIRCE: All right, will you proceed, please.

3 MR. MATTSON: The portion of this new section to which  
4 I particularly direct my remarks is the portion which reads:  
5 "All persons, firms, or corporations who are to assume  
6 a contractual relationship with the State by virtue of  
7 a particular joint bid shall be specified in the bid. Others,  
8 not participating in management, operation, or control  
9 under the joint bid, need not be specified, irrespective  
10 of investments for contractual relationship with persons  
11 or entities other than the State."

12 Now, that I conceive to be contrary to the  
13 statute and inadvisable from the standpoint of the State.  
14 It apparently attempts to create two classes of joint  
15 bidders, the class of joint bidders who are not interested  
16 in management but only in income and profits, and the type  
17 which is interested in management alone, perhaps, or  
18 management and a small amount of the profits. 6801(d) seems  
19 to me to make it clear, it says, "In every instance of  
20 joint bidding, the names of all persons, firms, or  
21 corporations interested in a particular joint bid shall  
22 be specified."

23 Now, I take that to mean everyone who is interested  
24 in any portion of the profit or income from the enterprise.  
25 That means, of course, it doesn't mean those who are merely  
26 loaning money or something of that sort, but it does mean

1 anyone who has an interest in the profits or income. I  
2 think the State should know who is going to get the profits  
3 out of it and should not permit the profits to be divorced  
4 from the management. That is apparent also from 6804 which  
5 refers to assignments. It therein refers to assignment of  
6 interest, either a divided or undivided interest therein,  
7 and provides unless approved by the Commission no assign-  
8 ment, transfer or sublease shall be of any effect. Now,  
9 if the Commission does not know who has the interest, this  
10 provision with regard to assignment without consent has no  
11 force or effect. The Commission couldn't do anything about  
12 it, and it in effect allows what amounts to an assignment  
13 in advance so that the Commission is then divorced from that  
14 person completely. He may deal in that interest as he  
15 sees fit. As I conceive it, under those two classes of  
16 joint bidders that this regulation might set up, the  
17 pipeline company that purchases the oil would deal directly  
18 with that person as to whom the State has no knowledge.  
19 Furthermore, the basic provision of the statute, which is  
20 6827, requires that the bids be made by the Commission --  
21 be awarded to the highest qualified bidder or joint bidders.  
22 Now, that means they have to award it to the persons who  
23 are interested, not to somebody else, and I don't think  
24 they can award it to somebody they don't know, of whom they  
25 don't know. I would think that it is highly inadvisable  
26 from the standpoint of the state to be dealing with a group

1 of persons and only know part of them. It is conceivable  
2 that the person who had the management would own 5 per cent  
3 or 2 per cent and 98 per cent of the interest be owned by  
4 those who are not in management. Now, that to me would be  
5 highly inadvisable, and I don't think the landowners normally  
6 would stand still for it.

7 CHAIRMAN PEIRCE: Mr. Mattson, may I ask you a  
8 question?

9 MR. MATTSON: Yes.

10 CHAIRMAN PEIRCE: Do you have any comment to make with  
11 respect to the administrative difficulties involved in our  
12 identifying and investigating multiple owners or persons  
13 interested in a lease of this character? I am thinking of,  
14 for example, a person holding fractional royalty interests;  
15 can you envision some difficulty with respect to our tracing  
16 down all these ownerships?

17 MR. MATTSON: I think the Commission could require  
18 a certification by everyone who has a joint bidder as to  
19 his status with regard to the statutes, and could doubtlessly  
20 rely upon that at least until something comes up to  
21 determine otherwise. It may be that where there is  
22 competition that the other bidders might be of some help  
23 in that regard.

24 CHAIRMAN PEIRCE: We have a practical problem, as I  
25 envision it, I don't know all the details -- it is easy to  
26 trace down and identify, so far as financial responsibility

1 is concerned, companies such as you represent. Your  
2 records are readily available, and yet there may be a  
3 hundred different individuals interested in a lease, as  
4 so-called silent partners, and as I understand it we have  
5 to trace down each one of these individuals to determine  
6 his financial responsibility and develop other information  
7 containing his qualifications to bid on a State lease. Now,  
8 what about that?

9 MR. MATTSON: Well, I would say that if the Commission  
10 required the presentation of the evidence necessary, perhaps  
11 certified by accountants of some sort, or other certification  
12 which would put the evidence in the hands of the Commission  
13 and its Staff, that job would be relatively easy. And I  
14 would think that as a practical matter the Commission could  
15 rely upon those statements if the proper statement was  
16 required.

17 CHAIRMAN PEIRCE: You made a statement that in your  
18 opinion we may not have any choice in the matter under the  
19 law, we must identify all parties to these leases whether  
20 we like it or not, or whether or not there are any  
21 practical difficulties. Now, did I understand you correctly  
22 in that regard?

23 MR. MATTSON: You did. That is my feeling, both  
24 under 6801(d) and under the other sections I referred to,  
25 it is necessary.

26 CHAIRMAN PEIRCE: All right, Mr. Shavelson, may I ask

1 you with regard to that matter. Mr. Shavelson is a Deputy  
2 Attorney General.

3 MR. SHAVELSON: Our office has expressed the opinion  
4 that the term "interested" in Subsection (d) of 6801 refers  
5 to those who are actually participating in the joint bid  
6 as bidders; in other words, we construe it as requiring  
7 a disclosure of names of those who are actually members  
8 of all associations, individuals and corporations who are  
9 actually entering into the joint bid, and also in the case  
10 of associations, we think there is a requirement for  
11 disclosure of at least the qualifications under Section  
12 6801 of all of the members of that association. We do not  
13 believe that when there is a joint bid there necessarily  
14 must be a disclosure of all of those having a mere  
15 contractual interest in the proceeds of the lease by virtue  
16 of their contracts with persons who are bidders. In other  
17 words, disclosure of the bidders, but we don't think the  
18 legal requirement is that there be a disclosure of all  
19 those having contractual relations with one of the joint  
20 bidders.

21 CHAIRMAN PEIRCE: Is that in disagreement with you,  
22 Mr. Mattson?

23 MR. MATTSON: Yes, it is. True, certain contractual  
24 relationships would not be covered -- for instance, a mere  
25 loan, a contract to drill, for instance, at so much a  
26 foot, but somebody who is interested in the income and

1 profits of that venture, he is interested, in my view,  
2 under the statute and he has again a divided or undivided  
3 interest as to which assignment -- which concerns the  
4 Commission -- which assignment is necessary, which again  
5 it covers. He is a joint bidder because the bidder is --  
6 he is one of the persons who is going to have income or  
7 profit out of it or take the losses, an entrepreneur, a risk  
8 taker, and hence he is interested.

9 CHAIRMAN PEIRCE: Do I understand, Mr. Shavelson, that  
10 you and Mr. Mattson are in disagreement with respect to  
11 whether or not we must seek disclosure of those individuals  
12 who have merely a contractual interest in a lease and who  
13 will have nothing to do with the actual development of the  
14 lease?

15 MR. SHAVELSON: It may come down to a question of  
16 semantics; I think we both agree that certainly the name  
17 of every person who is a bidder must be disclosed. Now,  
18 the question or standard is, who is a bidder, who is one of  
19 the joint bidders. Mr. Mattson indicates this, that everyone  
20 who has a share in the profits is ipso facto a joint bidder.  
21 It is the contention of our office that he is not necessarily  
22 one of the joint bidders unless he has some right of  
23 management or control. I do believe there is a difference  
24 there.

25 CHAIRMAN PEIRCE: Is there anyone else here who desires  
26 to speak to this proposed regulation?

1 MR. LEOVY: Mr. James G. Leovy. I am representing  
2 Western Gulf Oil Company. We concur with Mr. Mattson,  
3 and feel that if the code section intended to include just  
4 people who were participating in management it would have  
5 said "The names of all persons, firms or corporations joining  
6 in the bids shall be specified," but the use of the word  
7 "interested, interested in a particular joint bid," is  
8 intended to include anyone who might participate or have a  
9 hidden interest, and we feel that the section would be --  
10 that the proposed regulation would be in violation of the  
11 section.

12 MR. KIRKWOOD: Mr. Chairman.

13 CHAIRMAN PEIRCE: Mr. Kirkwood.

14 MR. KIRKWOOD: I guess I don't understand the type of  
15 relationship we are talking about here, how it would arise  
16 or what the nature of it is. I must admit my law on  
17 partnership and who is the partner and participates is kind  
18 of rusty. What sort of agreement are we talking about?

19 MR. LEOVY: We feel this, that this is intending to  
20 get at that very thing by the use of the word "interest."  
21 The bidder might actually, as Mr. Mattson says, have a 2½  
22 per cent interest, might not have any real interest, he would  
23 be holding it as a trustee, a hidden trust, and not wish to  
24 disclose evidently the name of the actual bidder, the one  
25 financing the whole. The money might be put up by the  
26 person interested, and actually the bidder not putting any

1 money into it at all.

2 MR. KIRKWOOD: What is the purpose of this 6801? Is  
3 that the number of the section?

4 GOV. POWERS: 6801(d), isn't it?

5 MR. KIRKWOOD: Is it purely to establish whether they  
6 are a citizen of this country, or what is the purpose of  
7 this disclosure?

8 MR. LEOVY: That is one purpose; another purpose is to  
9 disclose the financial interest, I believe.

10 MR. KIRKWOOD: Anything else in 6801 that deals with  
11 financial status?

12 CHAIRMAN PEIRCE: Well, financial responsibility surely  
13 is one of the major objectives in connection with dis-  
14 closure.

15 MR. LEOVY: Yes.

16 CHAIRMAN PEIRCE: Mr. Shavelson.

17 MR. SHAVELSON: I wonder if I might go a little bit  
18 farther in explaining the reasoning for our position. We  
19 would certainly agree that if this were an interest in the  
20 abstract, it would include contractual relationships which  
21 involve a share in the profits; however, if 6801(d), which  
22 applies to the joint bids only, is so interpreted, that  
23 would mean that you would have a higher requirement for  
24 joint bids than you would for individual bids and we  
25 couldn't see any rational -- for example, if you passed an  
26 individual corporation or individual partnership filing on

1 a bid, there is no language that we can find in Section  
2 6801 which would require legally the disclosure of all those  
3 having an interest, whereas if you had two corporations  
4 entering into the bid, therefore having a joint bid, then  
5 under the other interpretation you would require a dis-  
6 closure of all of those having contractual interest whether  
7 they be technically bidders or not. Have I made myself  
8 clear on that point? In other words, there would be a higher  
9 requirement for joint bidders than there would be for  
10 individual bidders, and we couldn't see any rational basis  
11 for making that distinction.

12 CHAIRMAN PEIRCE: Is there anyone else who desires  
13 to be heard with respect to this matter?

14 MR. GARDNER: Mr. Chairman.

15 CHAIRMAN PEIRCE: Will you step up here, please.

16 MR. GARDNER: My name is William Gardner. I represent  
17 Humble Oil & Refining Company.

18 The Humble Oil & Refining Company believes the  
19 Commission should not adopt proposed regulation 1913. The  
20 regulation as proposed appears to violate the clear intent  
21 of Section 6801(a) of the Public Resources Code, and  
22 ultimately may be held invalid by the courts for that  
23 reason. But much more important is the fact that it does  
24 not seem to be in the best interests of the State of  
25 California to permit State leases to be held by parties  
26 whose identity is unknown to the State. Unless there are

1 great benefits to be obtained by the adoption of this  
2 regulation, it would seem advisable for the Commission to  
3 continue to require disclosure of the identity of all  
4 parties owning an interest in State leases. Full disclosure  
5 should be required not only in the case of joint bidding  
6 to acquire a State lease, but in the event of a subsequent  
7 assignment or transfer of any lease. In this latter event,  
8 the names of all proposed transferees should be disclosed  
9 to the Commission. It would appear that the State has  
10 nothing to lose and everything to gain by knowing who these  
11 people are who hold an interest in State leases.

12 MR. KIRKWOOD: What is your answer to Mr. Shavelson's  
13 comment, this applies only to a joint bid and not to an  
14 individual bid?

15 MR. GARDNER: If I understand what he said correctly,  
16 there wouldn't be a joint bid, would there, if you had  
17 Company A who was the individual bidder and then had, say,  
18 five other companies who would join with them, but not as  
19 a joint bidder, but you would never have a joint bid in that  
20 sense, would you?

21 MR. KIRKWOOD: Are there relationships there where  
22 you would have an interest in the bid that would then be  
23 undisclosed?

24 MR. GARDNER: I think as a practical matter you would  
25 have just as much interest in the lease, but you might not --  
26 I mean, under an interpretation like that, it would

1 completely throw out 6801(d), I should think, and it would  
2 make it meaningless.

3 MR. KIRKWOOD: How would you interpret it to include  
4 a disclosure under those circumstances?

5 MR. GARDNER: I think it means two companies joining  
6 together to acquire a State lease or receive an assignment  
7 of a State lease, that both of the lessees or assignees  
8 should be named and disclosed to the Commission.

9 MR. SHAVELSON: I will agree with that.

10 MR. KIRKWOOD: Under what circumstances wouldn't 6801  
11 require it?

12 MR. SHAVELSON: Well, where the participation is  
13 merely a contractual right to perhaps share in the profits  
14 or some other sort of a contractual right which gives no  
15 right of control and no right of direct participation. I  
16 would like to emphasize that what we are talking about, of  
17 course, are mere minimal requirements and that certainly  
18 the Commission has complete discretion to require more than  
19 that. We are merely expressing our opinion as to what the  
20 mere minimum requirements are.

21 MR. GARDNER: I can see no practical difference  
22 between that and the company that in effect gives a  
23 million dollars to another company to spend on the project  
24 and has just the one company, in effect, liable and  
25 responsible to the State. In fact, it would share in the  
26 profits but may not share in the responsibility or the

1 liability, which would seem to me to be somewhat un-  
2 satisfactory from the State's standpoint.

3 CHAIRMAN PEIRCE: Any further questions with respect  
4 to this witness' testimony?

5 Who else wants to be heard?

6 MR. WATSON: Glenn R. Watson, attorney representing  
7 Edwin W. Pauley.

8 I think that it possibly becomes clear from the  
9 discussion here that the rich millionaires wish to be  
10 in a better position than the poor millionaires. We  
11 understand that very substantial sums of money will be  
12 required as cash bonus on some of these tide and submerged  
13 lands. We submit it would be in the interest of the  
14 State to facilitate the accumulation of these funds for  
15 competitive bidding, in other words, regulations designed  
16 to encourage and promote competitive bidding rather than  
17 stifle it and limit it to a few hands, I think would be  
18 in the interests of the State.

19 Now, with respect to the statement made that this  
20 proposed regulation 1913 would be contrary to the statute,  
21 I would like to simply point out that Section 6801(d)  
22 provides that in every case of joint bidding the names of  
23 persons, firms, or corporations interested in a particular  
24 joint bid shall be specified. Now, it would seem that a  
25 very useful purpose<sup>is</sup>/served by Section 1913 as proposed in  
26 that the State would be put in a position to know precisely

1 with whom it was doing business; in other words, it would  
2 be specified in a bid or it would accompany the bid exactly  
3 who the State was going to be contracted with, and I  
4 question whether the State is interested at all in the  
5 question of who is going to loan the money or provide the  
6 money to the bidders. If these bidders are submitted  
7 together with their qualifications to the Commission for  
8 a consideration, financial statements or whatever else the  
9 Commission requires, it would have that material before  
10 it and it could decide as to the financial responsibilities  
11 of the people it was doing business with.

12 Now, there has to be some reasonable construction  
13 placed on 6801(d). What do we mean when we say "every  
14 person interested will be specified"? Should Standard Oil,  
15 for example, file its complete list of stockholders and  
16 should they freeze the transfer of stocks until the bid is  
17 acted upon so the Commission should know who the stockholders  
18 were? If you have an individual bidder, is he supposed to  
19 disclose the name of his wife and spell out her community  
20 property interest? In the case of lenders, they are going  
21 to receive their moneys back by way of oil payments or  
22 net profit interests, or otherwise; is the State going to  
23 become concerned in what that situation is?

24 It seems to us there has to be some rule of  
25 reason applied to the thing. A line has to be drawn some-  
26 where.

1 Mr. Mattson concedes that a mere lender should  
2 not be disclosed; how is a lender going to be paid back?  
3 He certainly has some kind of an interest in the successful  
4 operation in order to get his funds back. And suppose  
5 certain proceeds from the oil operations are taken for  
6 repayment of the loan, then does that bring him into the  
7 situation of an interested party that has to be disclosed?

8 It seems to me that when you have a loosely-worded,  
9 indefinite statute, that the Commission would be well  
10 advised to draw the line, as the Attorney General has  
11 apparently recommended, along the line of operation, manage-  
12 ment and control so that the purpose in the State knowing  
13 who it is doing business with would be satisfied so that  
14 competitive bidding would not be stifled or discouraged,  
15 and I think that is very definitely to the financial interest  
16 of the State. Furthermore, I would feel that since the  
17 Commission does have the right to spell out the details of  
18 the statute, that this regulation properly does that on a  
19 reasonable basis, and that it would be a valid regulation,  
20 and we would support it.

21 CHAIRMAN PEIRCE: Any questions to be directed to Mr.  
22 Watson?

23 MR. WATSON: Thank you.

24 CHAIRMAN PEIRCE: Are there any others in the audience  
25 who desire to be heard with respect to these proposed  
26 regulations?

1 MR. MATTSON: I would like to respond to the last  
2 speaker, if I may.

3 CHAIRMAN PEIRCE: Yes, sir, Mr. Mattson.

4 MR. MATTSON: I think the question is to whom does  
5 the income and profit go, in the first instance; does it  
6 go to the person who is named as a bidder or does it go to  
7 someone else? The vice in this is that it permits the  
8 income to go to someone other than the named bidder and  
9 permits and leaves all the liabilities with the named bidder.  
10 In all of these leases eventually you get down to what might  
11 be termed the less profitable part of the lease, and at  
12 that juncture you are left and the State is left with  
13 the someone who has only liabilities, the profits having  
14 gone to someone else. I think I would hesitate to have a  
15 contractor build a house for me if I knew that all he had  
16 were the liabilities and that the income was going to  
17 somebody else about whom I knew nothing. There is some  
18 inducement to do a good job when you are going to get the  
19 income, but there is none when you have only the liabilities.  
20 I don't think that there is any enhancement of bidding at  
21 all by the disclosure; the same people can bid. The mere  
22 fact that they have to disclose doesn't enhance the bidding.  
23 It only enhances the bidding in one instance and that is  
24 where a man wants to be a party to several bids before the  
25 Commission. That is an undesirable thing. So that I think  
26 that this is undesirable, it is contrary to the statute,

1 and it is something that I don't think any other landowner  
2 would contemplate who is as acquainted with the oil business  
3 as this Commission is.

4 CHAIRMAN PEIRCE: Mr. Shavelson, have you issued or has  
5 your office issued a formal opinion with respect to our  
6 duties under this section of the law?

7 MR. SHAVELSON: No, sir. We have issued an informal  
8 letter on it.

9 CHAIRMAN PEIRCE: What is the substance of that opinion  
10 with respect to what we should do in regard to these  
11 proposed regulations? Do you concur in the proposed  
12 regulations as set forth in the agenda?

13 MR. SHAVELSON: I suppose I should check.

14 The opinion expressed was at the request of  
15 Senator Richards, and he states it is satisfactory.

16 Our opinion on this portion that we are talking  
17 about right now is to the effect that the regulation is  
18 legally acceptable, and in certain things the Commission may  
19 go farther if it wishes, but that this is all that is  
20 required under 6801(d). We feel that certainly many of the  
21 requirements are just as applicable to individual bids as  
22 joint bids. Perhaps the question should be whether the  
23 same criteria should be applied or whether special criteria  
24 should be applied to joint bids as to disclosure.

25 CHAIRMAN PEIRCE: Gentlemen, here we have a proposed  
26 regulation. It is being opposed by three major oil companies.

1 If I understand correctly, and is being supported by  
2 Edwin W. Pauley, who is an independent oil operator. As  
3 one member of this Commission, I did not have this agenda  
4 called to my attention until this morning. I have only  
5 had a limited amount of time to review the material set  
6 forth therein, and I assume that Governor Powers and Mr.  
7 Kirkwood are in the same position. Now, in light of the  
8 testimony that we have received so far, Mr. Hortig, have  
9 you any further advice to give us with respect to what we  
10 should do? Are we in a position to act on this subject  
11 this morning? Or is this something we should take under  
12 advisement? Or is this something that again should be  
13 reviewed by the Attorney General? Or what is your advice  
14 on it at this time?

15 MR. HORTIG: Mr. Peirce, I would recommend that in  
16 view of the fact that neither the Staff or the Lands  
17 Commission or the Office of the Attorney General have  
18 heretofore had the advantage of this additional discussion  
19 that we have had before the Commission this morning,  
20 although such discussion had been invited previously but  
21 was not received, that it would appear that it is only  
22 reasonable to suggest that the Commission should take under  
23 further consideration the proposed language for Regulation  
24 1913, to be reviewed after the transcript of this meeting  
25 is available to be re-studied by the Attorney General  
26 with recommendations to be made to the State Lands Commission

1 at a subsequent meeting.

2 CHAIRMAN PEIRCE: Would your same recommendation  
3 apply to the other proposed regulations?

4 MR. HORTIG: Not as to 2100(b), sir, the one we have  
5 already passed, because there are no objections thereto.

6 MR. KIRKWOOD: Can we sever those in the action to be  
7 referred to the Attorney General? Or do we have to act  
8 at the same time, or do we lose jurisdiction if we adopt  
9 one and not adopt the others?

10 We ought to notice, anyhow, this next one. We  
11 are talking about a further recommendation on Page 5, isn't  
12 it; it was suggested that the related matter be noticed for  
13 hearing?

14 MR. HORTIG: That is correct, sir.

15 MR. KIRKWOOD: We could renotece the others for  
16 hearing at the same time.

17 MR. HORTIG: It is required.

18 MR. SHAVELSON: I think that would be a safe procedure,  
19 to notice them. Your question is whether 2100(b) may be  
20 adopted?

21 MR. KIRKWOOD: That is what I understood Mr. Hortig's  
22 recommendation to be, that we adopt that.

23 MR. SHAVELSON: Yes, I see no objection to that. I  
24 think that would be proper.

25 MR. KIRKWOOD: As I understand the discussion this  
26 morning hasn't gone, or at least not fully, into the 1914,

1 it has been directed at 1913, and the suggested last  
2 paragraph of 1914 hasn't been fully discussed.

3 MR. HORTIG: That is correct, sir, it has not as yet.

4 MR. KIRKWOOD: Can we get any discussion on that  
5 today, or is that --

6 MR. HORTIG: There are representatives who are here  
7 who desire to discuss 1914.

8 MR. KIRKWOOD: It seems we should get some of this  
9 on the record. I think it is unfortunate that when we  
10 notice something for hearing and invite comments that the  
11 comments aren't forthcoming at that time so that the  
12 members of the Commission are aware when we take up a thing  
13 of this sort that there is controversy. It puts us in a  
14 difficult situation.

15 MR. MATTSON: Mr. Kirkwood, we did write a letter.

16 MR. KIRKWOOD: But you were the only one, as I under-  
17 stand it from Mr. Hortig, who did have any record on this.

18 CHAIRMAN PEIRCE: Senator Richards, do you desire to  
19 be heard at this time?

20 SENATOR RICHARDS: Yes, if I may, very briefly.

21 I am Richard Richards, Senator, Los Angeles  
22 County. I have an interest in this which came to my  
23 attention by virtue of my legislative capacity and in  
24 conversation with many attorneys in the oil industry field.  
25 Pursuant to that interest, I followed it up with discussion  
26 by some of your members and with your staff, and it is out