

1 or you did draft it. Is it purely a factual report
2 without any conclusions contained therein?

3 MR. SHAVELSON: No, sir. The beginning, or the
4 first portion of the report is strictly factual of the
5 work we have done, in very broad terms. The latter
6 portion is a statement of the action that we think
7 should be commenced forthwith, and our report to you
8 requests authorization that we proceed to take any legal
9 steps that we regard as essential to protect the State's
10 position at this time, so it is not altogether factual.

11 CHAIRMAN PEIRCE: But the opinions expressed there-
12 in are those of the Attorney General's office?

13 MR. SHAVELSON: Yes, sir.

14 CHAIRMAN PEIRCE: But if the report were to go to
15 the Legislature in substantially its present form, it
16 wouldn't be binding upon the Commission, would it?

17 MR. SHAVELSON: No. I think it is made clear that
18 all of our conclusions are tentative and subject to
19 review and modification in the event that subsequent
20 study should cause us to change them. I don't think it
21 is binding in any way, it wasn't intended to be.

22 MR. KIRKWOOD: Isn't it an indication of an
23 authorization by us of filing some actions?

24 MR. SHAVELSON: Pardon?

25 MR. KIRKWOOD: Doesn't it indicate an authorization
26 by us of filing certain actions, however?

MR. SHAVELSON: Yes.

1 MR. KIRKWOOD: To that extent it is our report.
2 I assume that the City of Long Beach was in agreement
3 with the Attorney General's office on this?

4 MR. SHAVELSON: I am afraid I can't speak for them.

5 CHAIRMAN PEIRCE: Well, this is something that is
6 going to have to be resolved by the courts.

7 MR. SHAVELSON: That is our feeling. The questions
8 that we have gone into is to what extent we think these
9 titles are litigable, and our decision, both positive
10 and negative, is subject to review by private counsel,
11 and if we concur in any recommendations they make, we
12 will modify our decision accordingly.

13 CHAIRMAN PEIRCE: In as much as the deadline is
14 almost here when the report has to be before the
15 Legislature, we are going to have to make a decision
16 today if we are going to authorize the submission of
17 this report to the Legislature, and yet we members of
18 the Commission have not had an opportunity to read the
19 report, so we are in a rather awkward position in that
20 regard.

21 What is your recommendation, Mr. Hortig?

22 MR. HORTIG: The recommendation still stands,
23 gentlemen; that the Executive Officer be authorized to
24 submit the report, which is a composite reporting prior
25 actions of the Commission in authorizing studies with
26 respect to the question as directed by the Statutes,

1 and an outline of the factual situation as it has
2 developed from the combined studies of the Attorney
3 General's office and the State Lands Division and a
4 statement of the proposed actions to which the Attorney
5 General feels must be undertaken in furtherance of the
6 study and in furtherance of the directive of the
7 Legislature to determining these boundaries. The latter
8 part was set forth in a draft of the report you had
9 before you perspectivevely on the presumption that you
10 gentlemen today, at the request of the Attorney General's
11 office, would authorize the filing of those actions,
12 in which event it would be reported as having been
13 authorized. I mean, on the other hand, it can still be
14 reported that this has been requested by the Attorney
15 General that there be authorization for undertaking these
16 actions, and under those circumstances, even up to this
17 moment, everything that is in the proposed draft of the
18 report is factual, is historically factual, as far as
19 actions that have been undertaken by the staff on behalf
20 of the State Lands Commission in carrying out the
21 studies directed under Chapter 2000 of the Statutes of
22 1957. There are no conclusions as to what the ultimate
23 outcome will or could be.

24 CHAIRMAN PEIRCE: Do any members of the Commission
25 have any questions to direct to Mr. Shavelson?

26 MR. KIRKWOOD: Well, it seems to me, Mr. Chairman,

1 as I understand it, that these recommendations for
2 filing certain actions are recommended because time is
3 running out on us and each day of delay, granted that
4 we are successful in the actions, would cause some loss
5 to the State, so that it does seem to me that probably
6 we should go ahead with the authorization that the
7 Attorney General's office has suggested.

8 As I understand it, this runs only in certain
9 areas where you feel that we should move without the
10 review of independent counsel, and that in other areas,
11 before any action is recommended, that there will be
12 such a review by an independent counsel; is that correct?

13 MR. SHAVELSON: Yes, sir, except that we have
14 included the specific areas where we intend to proceed
15 immediately for formal purposes. We have asked for
16 authorization to commence any proceedings and to take
17 any other legal steps that we regard as necessary to
18 protect the State's position at this time. In general
19 terms, we have asked for a broader authorization on the
20 specific things that we presently have in mind.

21 MR. KIRKWOOD: Moving into different properties or
22 within the proceedings with reference to the same
23 properties?

24 MR. SHAVELSON: Well, actually --

25 MR. KIRKWOOD: I mean, are you asking for a general
26 authorization that would move us into different

1 litigation -- I mean, with different parties and covering
2 different lands?

3 MR. SHAVELSON: That is the possibility.

4 MR. KIRKWOOD: Why shouldn't that be reviewed by
5 us at the time when need for filing comes in?

6 MR. SHAVELSON: All right. Then, in that event,
7 the State Lands Commission's approval, then, would have
8 to commence the proceedings that we mentioned and to mail
9 the notices that we referred to in our report to the
10 Commission, and we will come back to the Commission for
11 subsequent approval if we intend to broaden the scope of
12 our action?

13 MR. KIRKWOOD: That would be in your report to us,
14 the three recommendations on the last two pages?

15 MR. SHAVELSON: Yes.

16 MR. KIRKWOOD: Where is the language of our report
17 that we are going beyond what you are saying there?

18 MR. HORTIG: Only in the introductory paragraphs
19 and the comment that the Commission has authorized it;
20 that was perspective language.

21 CHAIRMAN PEIRCE: Well, you can modify the language
22 along the line of Mr. Hortig's suggestion.

23 MR. HORTIG: Yes, sir.

24 MR. KIRKWOOD: If that is the only way we can act on
25 it, I would be interested in the view of the other members
26 of the Commission.

1 CHAIRMAN PERICE: Governor Powers, do you have any
2 suggestion?

3 LT. GOVERNOR POWERS: No. I think we discussed this
4 the other day. I think that I agree.

5 MR. KIRKWOOD: That isn't going to delay you?

6 MR. SHAVELSON: No, sir.

7 LT. GOVERNOR POWERS: That is the proper way.

8 CHAIRMAN PEIRCE: I also concur in that suggestion.

9 All right, then, let us proceed on that basis,
10 Mr. Hortig.

11 MR. HORTIG: Yes, sir.

12 CHAIRMAN PEIRCE: Is there anything further? Do you
13 want us to approve the recommendation that the report be
14 submitted to the Legislature?

15 MR. HORTIG: That a report be submitted.

16 LT. GOVERNOR POWERS: I approve.

17 MR. KIRKWOOD: Second it.

18 CHAIRMAN PEIRCE: All right. The recommendation as
19 modified is approved.

20 MR. HORTIG: May we have it clear that Mr. Shavelson
21 has a request that the resolution of the Commission is
22 also to indicate the Commission's authorization to commence
23 the action, which authorization was requested by Mr.
24 Shavelson, but limited at this time to the actions specified
25 in the report which is before you gentlemen, and not to be in
26 any form construed as all-inclusive, any subsequent actions

1 to be the matter of -- any proposed subsequent actions to
2 be the matter of a later review by the Commission.

3 CHAIRMAN PEIRCE: That is understood.

4 MR. SHAVELTON: Perhaps we had better have on the
5 record the specific actions. I don't think they have
6 been mentioned yet. Do they appear in any calendar item,
7 Frank?

8 MR. HORTIG: They do not, merely in your report, Mr.
9 Shavelton, as well as in the draft of the report that the
10 Commission has before it.

11 MR. SHAVELTON: Well, then, we had better get a
12 resolution in the form of those particular proposed acts.

13 MR. HORTIG: Right. We will state those specifically.

14 MR. KIRKWOOD: Would you read that part of your
15 report?

16 MR. SHAVELTON: All right. The third paragraph on
17 page 3 of our report states that the Attorney General
18 regards as necessary for protection of the State's interests
19 the early accomplishment of the following:

20 (1) The commencement of litigation against
21 the Union Pacific Railroad Company, Los Angeles and Salt
22 Lake Railroad Company, Southern California Edison Company,
23 and the City of Long Beach for the purpose of testing the
24 validity and binding effect upon the State of the judgment
25 in case No. 340-RJ-Civil in the District Court of the
26 United States in and for the Southern District of California,

1 Central Division; determining the legal status of lands
2 involved in said case; and seeking certain additional
3 relief in connection with said case and the lands involved
4 therein.

5 (2) The service upon the City of Long Beach of
6 a request to render an accounting for certain lands,
7 easements, well sites and other things of value received
8 by the city in connection with the termination of said
9 case, that is, case No. 340-RJ-Civil, and other contempor-
10 aneously litigated cases between the city and certain
11 private landowners in the Long Beach Harbor District.

12 (3) Service upon the City of a request to
13 commence proceedings as trustee for the State to determine
14 the legal status of certain portions of lands claimed by
15 the Craig Shipbuilding Company and others. That land is
16 claimed by others and these statements are necessarily in
17 very general terms, and the Attorney General's actions
18 should not be deemed to be restricted by the specific
19 language, but only to commence litigation and to send
20 notices of this general nature.

21 CHAIRMAN PEIRCE: Your pleasure, gentlemen?

22 MR. KIRKWOOD: Well, what you want is a double motion
23 here, that we are authorizing the Attorney General to
24 proceed on these three matters and authorizing you to
25 report; is that right?

26 MR. HORTIG: That is correct.

1 MR. KIRKWOOD: I so move for approval.

2 LT. GOVERNOR POWERS: Second it.

3 CHAIRMAN PEIRCE: All right. You heard the motion.
4 It has been seconded. The recommendation is approved.
5 Thank you, Mr. Shavelson.

6 The next item.

7 MR. HORTIG: Page 29, gentlemen. By Statutes of 1947
8 the Legislature granted certain tide and submerged lands
9 to the Moss Landing Harbor District in furtherance of
10 navigation, commerce and fisheries.

11 The granting statute provided in part that
12 within ten years from the effective date of this act, said
13 lands shall be substantially improved by the district,
14 without expense to the State, and if the State Lands
15 Commission determines that the district has failed to
16 improve said lands as herein required, all right, title
17 and interest of said district in and to all lands granted
18 by this act shall cease and said lands shall revert and
19 vest in the State.

20 A report on the development activities of the
21 Moss Landing Harbor District, submitted by the District,
22 has been reviewed. In addition, the developments have been
23 inspected in the field periodically by the State Lands
24 Division, generally in connection with field reviews and
25 surveys necessary for establishment of the boundaries of
26 portions of the granted lands.

1 In summary, it has been found there have been
2 developments within the Moss Landing Harbor District on
3 lands granted under Chapter 1190, Statutes of 1947, to the
4 point that it is recommended that the Commission find that
5 the Moss Landing Harbor District has substantially improved
6 the tide and submerged lands granted by Chapter 1190,
7 Statutes of 1947, as required by that Act, and authorize
8 the Executive Officer to transmit a report of this finding
9 to the State Legislature, and to the Moss Landing Harbor
10 District.

11 CHAIRMAN PEIRCE: Is this the first time that this
12 particular kind of action has been taken by the Commission?

13 MR. HORTIG: Yes, sir, for the reason that the Moss
14 Landing Harbor District Grant Act is the oldest grant act
15 within which the requirement for review by the Lands
16 Commission was adopted by the Legislature. This is the
17 first act that has reached the age of ten years requiring
18 a review by the Lands Commission. There will be another
19 one forthcoming two years hence with respect to Bolinas
20 Harbor -- excuse me -- Bodega Harbor.

21 CHAIRMAN PEIRCE: Where is this Moss Landing?

22 MR. HORTIG: Moss Landing Harbor District is in
23 Monterey County at the mouth of the Salinas River.

24 A representative of the Moss Landing Harbor
25 District, Mr. Bloom, is with us if the Commission desires
26 any comment or has any specific questions.

CHAIRMAN PEIRCE: We are merely submitting this finding

1 to the Legislature and the Legislature has to take action
2 thereon?

3 MR. HORTIG: The language of the act, gentlemen,
4 isn't completely clear to us. As you see from the
5 quotation from the act, there is only a conclusion to be
6 reached if the Commission were to make a negative finding.
7 In this instance there was an affirmative finding, and the
8 only reasonable disposition we can see of the affirmative
9 finding is to let the Legislature know that there wasn't
10 a necessity for a negative finding and we didn't get the
11 lands back.

12 CHAIRMAN PEIRCE: Well, when does title transfer,
13 then, permanently?

14 MR. HORTIG: Well, title is ultimately transferred
15 at the time of the grant, but it was subject to termination
16 after ten years if there had been no developments. There
17 having been reasonable and substantial developments, it
18 appears that this is the final action required on behalf
19 of the State Lands Commission under the terms of this act.

20 CHAIRMAN PEIRCE: Now, does this remove any cloud
21 that might exist on the title by virtue of the fact that
22 the District has complied with the laws and developed the
23 area, and if we take no contrary action, then it has final
24 title; is that right?

25 MR. HORTIG: That is the result, sir.

26 CHAIRMAN PEIRCE: Any questions?

1 MR. KIRKWOOD: I am just curious, Frank. Is this
2 really the Salinas River or is it that slough that comes
3 down there?

4 MR. HORTIG: It is a culmination of the mouth of the
5 Salinas River, Moro Kojo Slough and Bennett Slough, now
6 blocked off. There are an entire series of sloughs that
7 were in the flood plain at the mouth of the Salinas River.
8 The principal water course and the principal amount of
9 water from the upland is actually Salinas River.

10 MR. KIRKWOOD: The harbor you speak of is the one
11 right there by the P G & E plant?

12 MR. HORTIG: Well, this is the mouth of the Salinas
13 River.

14 CHAIRMAN PEIRCE: Any further questions? Okay.

15 MR. KIRKWOOD: Recommend approval.

16 LT. GOVERNOR POWERS: Yes. All right. Second it.

17 CHAIRMAN PEIRCE: The motion has been made and
18 seconded that the recommendation be approved. So will be
19 the order.

20 The next item.

21 MR. HORTIG: We turn to page 4, gentlemen, and then
22 proceed in a series. I believe we have covered all the
23 personal representations here this morning.

24 Page 4, under Oil and Gas Lease Renewal and
25 extension previously issued by the Commission for the
26 maintenance of a single well in the tidelands at Huntington

1 Beach, a well has been abandoned after it was no longer
2 mechanically practicable to operate the well, and the
3 lessee has requested termination of the lease by mutual
4 consent, and it is recommended that the Commission authorize
5 the termination of oil and gas lease extension and renewal
6 P.R.C. 990.1 by mutual consent effective this date.

7 MR. KIRKWOOD: So move.

8 LT. GOVERNOR POWERS: Second it.

9 CHAIRMAN PEIRCE: The recommendation is approved.

10 MR. HORTIG: Page 5. On November 12, 1957, the
11 Commission authorized the modification of the terms of oil
12 and gas lease P.R.C. 427.1 as requested by the lessee, the
13 General Petroleum Corporation, to incorporate the provisions
14 of Section 6873, Subdivision (a), of the Public Resources
15 Code.

16 The additional authorizations available under
17 Section 6873 are enumerated under Sections (a) through
18 (d), and the lessee, the General Petroleum Corporation, has
19 now requested further modification of the lease to incorporate
20 the benefits of Subdivisions (b), (c) and (d) of the same
21 Section 6873. This would be in conformance with authoriza-
22 tions that the Commission has granted heretofore for other
23 lease amendments to incorporate the entire benefits of
24 Section 6873 for additional operating flexibility and other
25 advantages.

26 It is the opinion of the office of the Attorney

1 General that the lease may be so modified, and it is
2 recommended that the Commission approve the further
3 modification of the terra of oil and gas lease P.R.C. 427
4 as requested.

5 MR. KIRKWOOD: Recommend approval.

6 LT. GOVERNOR POWERS: Second it.

7 CHAIRMAN PEIRCE: The recommendation is approved.

8 MR. HORTIG: Page 6. Oil and gas lease P.R.C. 735
9 was issued in 1952 to the Standard Oil Company of California
10 at Montalvo, Ventura County, pursuant to competitive public
11 bidding. This lease requires that the lessee shall
12 commence operations for the drilling of a succeeding well
13 within thirty days after completion of a well until there
14 is drilled one well for each twenty acres if production is
15 obtained from a depth greater than 6000 feet.

16 Since January 1, 1953 when drilling operations
17 were commenced, twelve wells have been drilled and are
18 producing and are producible. One well is currently being
19 drilled. All wells were drilled to a depth greater than
20 6000 feet. Two were unproductive. Two of the originally
21 productive wells have been shut in recently due to the
22 fact that they are no longer capable of sustaining
23 commercial production.

24 A request has been received from the lessee for
25 a one-year deferment of further drilling requirements in
26 order to review and evaluate geological and engineering

1 information to determine the economic feasibility of a
2 further development on the lease.

3 It is recommended that the Commission authorize
4 the grant to Standard Oil Company of California of a
5 deferment of drilling requirements under oil and gas
6 lease P.R.C. 735.1 until February 10, 1959. The grant of
7 deferment is subject to the express condition that during
8 the period of deferment the lessee will perform one of the
9 following actions:

- 10 1. Initiate development on the lease;
- 11 2. Quitclaim the undeveloped lease area;
- 12 3. Present new adequate bases for any further
13 consideration of the deferment of drilling requirements
14 under the lease.

15 CHAIRMAN PEIRCE: Any questions?

16 MR. KIRKWOOD: Move it be so approved.

17 LT. GOVERNOR POWERS: Second it.

18 CHAIRMAN PEIRCE: The recommendation is approved.

19 MR. HORTIG: Page 7. On January 28, 1958, one bid
20 was received in response to a published notice of intention
21 to enter into a lease for the extraction of chrome ore
22 from 320 acres of vacant State school land.

23 It is recommended that the Commission authorize
24 the issuance of a mineral extraction lease to Willard L.
25 Johnson, the highest qualified bidder, in accordance with
26 the provisions of the Public Resources Code and the

1 established schedules of the Commission, and the bid of
2 Mr. Johnson for this chrome lease.

3 MR. KIRKWOOD: Move that it be approved.

4 LT. GOVERNOR POWERS: Second it.

5 CHAIRMAN PEIRCE: Moved and seconded. The recommenda-
6 tion is approved.

7 MR. HORTIG: Page 8. On January 27, 1958, one bid
8 was received pursuant to a published notice of intention
9 to enter into a lease for mineral extraction and as a
10 right of way across lands in the beds of Owens Lake to be
11 utilized as a right of way for extraction of minerals
12 from brine produced by wells drilled along the right of
13 way. The minimum bid received was equal to the minimum
14 bid required by the statutes.

15 It is recommended that the sole bidder, Columbia-
16 Southern Chemical Corporation, be issued a mineral extrac-
17 tion lease in accordance with the requirements of the
18 Public Resources Code, the bid received, and the standard
19 prescribed schedules of the State Lands Commission.

20 MR. KIRKWOOD: Recommend approval.

21 LT. GOVERNOR POWERS: Yes. That is all right.

22 CHAIRMAN PEIRCE: The recommendation is approved.

23 MR. HORTIG: Page 11.

24 MR. SMITH: Sale of vacant State school land.

25 It is recommended that the Commission authorize
26 the sale of vacant State school land, for cash, at the

1 highest offer, in accordance with the following tabulation,
2 such sales to be subject to all statutory reservations
8 including minerals, and there follows a tabulation of
4 five separate sales. There is no controversy on any one
6 of these.

6 MR. KIRKWOOD: Recommend approval.

7 LT. GOVERNOR POWERS: Second it.

8 CHAIRMAN PEIRCE: Moved and seconded that the
9 recommendation be approved. So will be the order.

10 MR. KIRKWOOD: This is just that desert land that is
11 going at \$60.00 an acre?

12 MR. SMITH: That is correct. It is Mrs. Thurber's
18 land. If you will recall, she appeared before the Commission
14 for that area up in Apple Valley -- Lucerne Valley. Excuse
15 me.

16 MR. HORTIG: Page 18. On August 8th the Commission
17 adopted a general authorization for proceeding with the
18 sale of land described in Chapter 1701, Statutes of 1957,
19 which was authorized for sale by the Legislature.

20 The subject land consists of a portion of land
21 originally reserved by the Board of Tideland Commissioners
22 in the 1870's for the dredging of a Guadalupe canal, which
23 was never actually dredged, in fact.

24 In order to provide a standard basis of procedure
25 with the sale of these lands so that all prospective
26 bidders could be equally informed, it is recommended that

1 the Commission authorize the revision of the resolution
2 of August 8th to include a specification that the lands
3 will be sold pursuant to competitive public bidding and in
4 accordance with the provisions of Section 2302 of the
5 established Rules and Regulations of the Commission which
6 already cover the procedure for the sale of unoccupied
7 lands not suitable for cultivation.

8 MR. KIRKWOOD: Recommend approval.

9 LT. GOVERNOR POWERS: Second it.

10 CHAIRMAN PEIRCE: The recommendation is approved.

11 MR. HORTIG: Page 20. As the Commission is already
12 aware, since the creation of the Colorado Boundary
13 Commission in 1953, engineering, administrative and other
14 services have been furnished the Boundary Commission by
15 the State Lands Commission through the State Lands Division
16 under this Inter-Agency Agreement.

17 MR. KIRKWOOD: Move the approval.

18 MR. HORTIG: In continuing this procedure the
19 Commission's authorization is necessary for execution of
20 a current service contract.

21 CHAIRMAN PEIRCE: The recommendation is approved.

22 MR. HORTIG: Pages 21 through 27, gentlemen, cover the
23 results of a study of the various standard forms that the
24 Commission has utilized in connection with the issuing of
25 leases, easements, agreements, rights of way easements,
26 et cetera, and it was found that: provisions for "signature

1 dates" contemplate signature by both parties at the same
2 time, a condition which rarely, if ever, occurs.

3 The forms, the legal forms of closing used for
4 various types of agreements, are not uniform.

5 Some forms provide for required acknowledgments;
6 some do not, and none of the forms in use provide for
7 corporate resolutions authorizing execution of agreements
8 on the part of the lessee, and these, in turn, are necessary
9 in order to provide for recordation in particular counties.

10 Therefore, all forms in use by the Commission
11 were reviewed by the office of the Attorney General with
12 revised recommended forms of closing to be incorporated in
13 these standard forms set forth in the following pages, and
14 it is recommended that the Commission authorize and approve
15 the revision of agreement forms used to transact Commission
16 business as detailed in Exhibit A attached in order to
17 provide for this standardization and clarification with
18 respect to all business forms of the Commission.

19 MR. KIRKWOOD: Move the approval.

20 LT. GOVERNOR POWERS: Second it.

21 CHAIRMAN PEIRCE: What you are trying to do is to
22 streamline these forms that have become obsolete in certain
23 respects?

24 MR. HORTIG: Yes, and to standardize and to eliminate
25 actually what have been deficiencies for many years.

26 CHAIRMAN PEIRCE: The recommendation is approved.

1 MR. HORTIG: Page 28. Under Chapter 2012 of the
2 Statutes of 1957, the Commission is authorized to sell
3 land at the confluence of the Sacramento and San Joaquin
4 Rivers known as Chain Island.

5 The statutory description of the area authorized
6 to be sold is based on a survey made in 1902, and from
7 observations by the Commission's staff, it was felt that
8 the island in existence did no longer necessarily coincide
9 with the 1902 survey. A resurvey has been completed. The
10 present area of the land is 41.8 acres rather than 53.6
11 acres as originally surveyed by a private surveyor in
12 1902, and it is recommended that the Executive Officer be
13 authorized to approve and have recorded the map entitled
14 "Survey of the mean high tide line along the shore of
15 Chain Island, vicinity of Collinsville, Sacramento County,
16 California," dated November, 1957.

17 MR. KIRKWOOD: I move the approval.

18 LT. GOVERNOR: POWERS: Yes, I will second the approval.

19 CHAIRMAN PEIRCE: The recommendation is approved.

20 MR. HORTIG: I want to verify this with the secretary,
21 Mr. Peirce. Does that complete all of it?

22 MISS STAHL: Page 43.

23 MR. HORTIG: Thank you. Page 43. There follows on
24 pages 43 through 45 a tabulation of actions completed by
25 the Executive Officer under delegation of authority --

26 MR. KIRKWOOD: I move for its confirmation.

1 MR. HORTIG: -- in the issuance of routine rights of
2 way, et cetera.

3 CHAIRMAN PEIRCE: The recommendation confirming your
4 actions is approved.

5 MISS STAHL: And there is one special item, Mr. Hortig.

6 MR. HORTIG: If the Commission please, Mr. Sam
7 Roberts, the Director of Finance of the City of Long Beach,
8 is present and wishes to make a verbal presentation to the
9 Commission this morning with respect to projects under way
10 in behalf of the City of Long Beach in connection with
11 administration of subsidence control programs and leading
12 particularly to the point of a request that the Commission
13 enlist the assistance of the staff and review by the
14 Attorney General for cooperation with the City of Long
15 Beach on this project. If the Commission will permit, I
16 am sure that Mr. Roberts can present this very briefly
17 and desires to do so.

18 CHAIRMAN PEIRCE: Mr. Roberts, the Director of Finance
19 of the City of Long Beach.

20 MR. ROBERTS: Actually there are two items. We are
21 very sorry that they did not reach Mr. Hortig early enough
22 last week to go on your agenda.

23 In the first item we respectfully request that
24 the State Lands Commission take under advisement the
25 question as to the use of Long Beach tideland funds to
26 finance installations, machinery and equipment in a

1 repressuring program designed to arrest subsidence in the
2 Long Beach-Los Angeles area. We request that your staff
3 explore the subject and also submit it to the State Attorney
4 General for an opinion as to the legal limitations which
5 may be involved, the procedures that would have to be
6 followed, and whether it is essential that there be any
7 legislation to clarify the authority, and, if so, what part
8 of the State Code needs admendment.

9 Now, with my letter on this matter -- the letter
10 explains in some detail what this problem is -- we have
11 attached opinions from our own City Attorney, concurred in
12 by special counsel, an opinion rendered to Assemblyman
13 Grant, by the Legislative Council Bureau on this subject.
14 I might say, in general the opinions seem to hold that
15 there is a possibility that our tideland funds could be
16 used to finance repressuring installations. I might say
17 that there are no real problems if we could get this re-
18 pressuring program under way in time to do any good in
19 arresting subsidence.

20 The technical studies to date indicate that while
21 in general secondary recoveries may come from this re-
22 pressuring program and may prove profitable, it is entirely
23 possible that some phases of it will not. There is also
24 real difficulty in obtaining, you might say, cooperation
25 from oil companies in doing this job as fast as it needs
26 to be done because of the capital requirements involved.

1 In our memorandum we have suggested various
2 things that we think should be analyzed. We think that
3 there are possibilities, say, of installing the machinery
4 and leasing it to the operators or to the units so that
5 substantially a great deal of any moneys put up or invested
6 in this probably can be recovered.

7 We would point out that our preliminary estimates
8 are that the repressuring installations will run in the
9 neighborhood of \$32,000,000. In view of the fact that the
10 City tidelands production is about 45 per cent, we would
11 guess fourteen or fifteen million dollars of it would be
12 paid, anyway, by the City's drilling and operating
13 contractors out of their reimbursement allowance, which,
14 in effect, reduces the City's and State's income somewhat.

15 What we are talking about is actually the
16 possibility of using sixteen or seventeen million dollars
17 to finance installations in the other areas of the field,
18 with very good likelihood that all or most of the money
19 would be recovered.

20 I think it is obvious, in view of the subsidence
21 damage that has occurred and is occurring in the future,
22 that there might be a very sound program of this type
23 developed which any possible loss would be more than saved
24 on the remedial damage in the future. We think this
25 deserves thorough analysis, and the thing we are asking is
26 that you authorize your staff to go into this and authorize

1 your staff to seek the assistance of the Attorney General's
2 office of the many legal problems that might be involved.

3 CHAIRMAN PEIRCE: I would say that Governor Knight
4 has announced that he will call a special session of the
5 Legislature to consider subsidence legislation, and it
6 would be my opinion that should the Legislature act
7 favorably upon this matter, that our staff should be
8 studying the subject as suggested by Mr. Roberts, and I
9 think it would be very much in order for us to take this
10 recommendation under advisement for the purpose of referring
11 it to our staff for study and report.

12 Are there any questions, gentlemen?

13 MR. KIRKWOOD: Does this involve any change in the
14 law? Aren't we restricted to expenditures within the
15 harbor area for subsidence work?

16 MR. ROBERTS: It involves the Wilmington field
17 possibly as a whole. The opinion that we have had to date
18 from our attorneys and Legislative Council Bureau indicate
19 that probably this can legally be done under present law.
20 However, we think it needs further investigation.

21 MR. KIRKWOOD: Well, is this something that you would
22 be hopeful of accomplishing if some change in the law
23 would be made; that it would come under the special
24 session of the Legislature?

25 MR. ROBERTS: Yes. In short, if, in the analysis of
26 this, the Attorney General's staff should find that it is

1 desirable to clarify the statutes under which we handle
2 tideland funds, we would want to put that in at the time of
3 this special session that the Governor has called, and I
4 believe will come under the general title that he has
5 called the session out. So we do think that this requires
6 prompt action, without asking you to make a policy
7 determination. There are many problems in this that have
8 to be further analyzed.

9 CHAIRMAN PEIRCE: Any further questions?

10 MR. KIRKWOOD: Do we have the staff?

11 CHAIRMAN PEIRCE: Mr. Hortig?

12 MR. HORTIG: No questions, sir.

13 CHAIRMAN PEIRCE: You have no objection to our taking
14 it under advisement and referring it to you for analysis?

15 MR. HORTIG: No, sir..

16 CHAIRMAN PEIRCE: Does it meet with your approval,
17 gentlemen?

18 MR. KIRKWOOD: Yes.

19 LT. GOVERNOR POWERS: Yes.

20 CHAIRMAN PEIRCE: All right. So will be the order.

21 MR. ROBERTS: One other item of little lesser nature.

22 The City of Long Beach respectfully requests that the
23 State Lands Commission authorize an expenditure of up to
24 \$40,000 between the present date and June 30, 1958, for the
25 purpose of financing the City Administrative expenditures
26 in connection with the subsidence control program.

1 With this letter we have attached certain exhibits
2 showing the functional organizational charts, and so on,
3 that set forth what we are trying to do in creating a
4 subsidence control administration, also a budget for this
5 operation. I might point out that the actual budget which
6 is attached shows an estimate of \$30,925.00. This is
7 somewhat less than the authorization limit requested of
8 \$40,000, the difference being an amount that we think
9 should be available for contingencies which cannot be
10 specifically estimated at the present time.

11 I might also note that a great deal of the work
12 of this office will involve promotion of field unitization,
13 coordination of our consulting engineering program, and so
14 forth, and in the final analysis may be chargeable to oil
15 production expense before the net revenues are shared with
16 the State. We would suggest, however, that the funds be
17 allowed more on the gross basis because we believe that
18 we have some problems between our own auditors and the
19 State auditors in establishing some standards as to what
20 things are subsidence and what things are oil production.
21 These things are so closely related that, frankly, until
22 we have worked out better standards we hesitate to say
23 that half of this or two-thirds of that will be chargeable
24 to oil.

25 What we are creating, briefly, is what you might
26 call a management team to work on this problem. Actually,

1 the team has been working on it but in a less formalized
2 manner than we proposed. It involves a subsidence control
3 administrator, an assistant administrator, an administrative
4 aid, plus possible assignment of a full-time attorney from
5 the City Attorney's office to work on this program.

6 CHAIRMAN PEIRCE: Mr. Hortig, what is your comment
7 with respect to this recommendation?

8 MR. HORTIG: Well, this would appear to be a project
9 approval request identical in type as to other project
10 approval requests that have been submitted heretofore by
11 the City of Long Beach, and I feel should be given the
12 same staff review determination as to the legal sufficiency
13 by the office of the Attorney General, and then be reported
14 back to the Commission at the earliest date.

15 CHAIRMAN PEIRCE: Does that meet with the approval
16 of the Commission?

17 MR. KIRKWOOD: Yes, sir. It is all right with me.

18 CHAIRMAN PEIRCE: You want action today?

19 MR. ROBERTS: If I may make a suggestion, we have
20 been working under a great deal of pressure on this thing,
21 and we would like to have had it in much earlier so that
22 the proper staff review would take place and we would
23 welcome such review if it would be possible to consider
24 this. The one reason we came in with it today was
25 that we realized that you don't meet again in approximately
26 a month, and actually we want to start in full

1 operation within about a week, and I might suggest, if
2 you would be willing, to go along, say, to the tune of
3 about \$10,000 until your staff review is complete on the
4 thing and have examined the program.

5 CHAIRMAN PEIRCE: Well, Mr. Hortig has made this
6 suggestion; that there may be some legal points that
7 should be reviewed by the Attorney General before we take
8 any action, and we can't very well take any action in part
9 if there is some question concerning the legality of the
10 action.

11 Is that correct, Mr. Hortig?

12 MR. HORTIG: Well, we have no basis at this moment
13 of knowing independently whether we have a problem, Mr.
14 Peirce, and until we have reviewed it we wouldn't know.
15 Until we have reviewed it in detail, we cannot give a
16 considered recommendation to the Commission.

17 MR. ROBERTS: I think it would be entirely satisfactory
18 if you just defer it. It has been called to your attention
19 and when you do consider it next month, you may be asked
20 for an approval of a prior expenditure, as we have had to
21 do in the past, and in which cases, generally, we have
22 borne the entire amount from the City's tideland funds
23 without the State sharing in it. That might be the answer.

24 CHAIRMAN PEIRCE: Can we approve a prior expenditure?

25 MR. HORTIG: No, sir.

26 MR. KIRKWOOD: The City picks up the whole bill up to

1 the time of our approval?

2 MR. ROBERTS: Yes, that is the way it works out. In
3 short, after this is examined by the Attorney General and
4 your staff, I presume that they find that it is okay, and
5 you do approve from the time forward, we would then ask
6 your approval of some prior expenses at the expense of the
7 City of Long Beach that was shared as much as was done on
8 the approvals last summer on our consulting engineering
9 contracts, and so on.

10 CHAIRMAN PEIRCE: All right, Mr. Roberts, that
11 recommendation will also be taken under advisement.

12 MR. ROBERTS: Thanks.

13 CHAIRMAN PEIRCE: Is there any other business to come
14 before the Commission, Mr. Hortig?

15 MR. HORTIG: No, sir.

16 CHAIRMAN PEIRCE: If not, the meeting will stand
17 adjourned.

18 (The hearing was adjourned at 12:00 o'clock noon.)

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1 IN THE MATTER OF THE MEETING
2 OF THE STATE LANDS COMMISSION
3 HELD AT LOS ANGELES, CALIFORNIA.

CERTIFICATE
OF
REPORTER

4
5 I, JOHN J. RABASA, Reporter for the State Lands
6 Commission of the State of California, hereby certify that
7 the foregoing is a full, true and correct transcript of
8 the stenographic notes taken by me in this matter, on the
9 date hereinbefore specified, and that the same is a full,
10 true and correct record of the proceedings had in the same
11 matter before the State Lands Commission of the State of
12 California.

13 Dated at Los Angeles, California, on March 4, 1958.

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16 Reporter
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