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STATE LANDS COMMISSION, STATE OF CALIFORNIA

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Transcript of Proceedings of Regular Meeting, held  
on July 25, 1958, 10:00 a.m., at 916 Mirror Building, Los  
Angeles, California.

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THE COMMISSION

T. H. Mugford, Director, Department of Finance, Chairman.

Harold J. Powers, Lieutenant Governor.

Robert C. Kirkwood, State Controller.

STAFF:

F. J. Hortig, Executive Officer

F. W. Keft,

K. C. Smith.

Howard S. Goldin, Deputy Attorney General.

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1 MR. HORTIG: Gentlemen of the Commission, if I may  
2 point out, under the procedures of the State Lands Commission  
3 the Chairman is elected, and as a result of the resignation  
4 of the former Director of Finance, John M. Peirce, the  
5 Commission is currently without a Chairman, and therefore  
6 it appears appropriate at this time that you gentlemen  
7 consider whether or not a Chairman should be elected.

8 MR. KIRKWOOD: If you want to act as Chairman for a  
9 moment, I will move the nomination of Jeff Mugford, as the  
10 new Director of Finance, as Chairman of this Commission.

11 GOV. POWERS: I will second the motion.

12 MR. HORTIG: The motion has been made and seconded,  
13 nominating Mr. T. H. Mugford, Director, State Department  
14 of Finance, as Chairman of the State Lands Commission. Are  
15 you ready for the question?

16 MR. KIRKWOOD: Aye.

17 GOV. POWERS: Aye.

18 MR. HORTIG: Mr. Mugford, you have been elected  
19 Chairman of the State Lands Commission. I relinquish my  
20 temporary chairmanship.

21 MR. KIRKWOOD: Any other officers, if we have any  
22 other officers, will remain the same?

23 MR. HORTIG: Yes, sir.

24 MR. KIRKWOOD: We don't have any others.

25 MR. HORTIG: No.

26 CHAIRMAN MUGFORD: We have sitting with us here

1 Assemblyman Allen Miller, who had a good deal to do with  
2 legislation relating to tidelands oil leases, and this might  
3 be an appropriate time for us to hear from Mr. Miller and  
4 an appropriate way to open this meeting.

5 ASSEMBLYMAN MILLER: Thank you, Mr. Mugford. I  
6 appreciate the courtesy that you have afforded me by asking  
7 me to sit with you. I had a bill at the last session of  
8 the Legislature, the effect of which would have been that  
9 a member of the Senate and a member of the Assembly sit  
10 with you ex officio, as well as other boards and commissions,  
11 but that didn't pass. But I find that you have extended  
12 the courtesy just the same, and I appreciate it very much.

13 I would like to say that I have noticed with a great  
14 deal of interest the bids that have been given on the offer-  
15 ings recently in the Santa Barbara area, and the extent of  
16 those bids, the cash bonuses, and I think I can speak for  
17 all of the members of the Assembly that participated in the  
18 passage of A.B. 47 at the last session, that they are  
19 tremendously elated and pleased at the extent of that bonus.  
20 During the hearings we had a great deal of testimony, many  
21 of you will recall, to the effect that if we put in a sliding  
22 scale or changed the royalty rates there just wouldn't be  
23 any competition in any bidding. We have found now that  
24 there wasn't entirely truth in those statements or estimates,  
25 and we are very elated that approximately fifty-six million  
26 dollars in bonus, plus the sliding scale, in each one of

1 those bids, plus the fact the Commission, I think, has  
2 very wisely benefited the state, has put these out to bid  
3 alternately, so if any of these territories are provided,  
4 that I think possibly the State, on the other parcels that  
5 are reserved, would get desirably higher income and bonuses.

6 I think I can speak for the entire membership of the  
7 Legislature, that we are very pleased about these bids and  
8 what this Commission has been doing recently in respect  
9 to administering the law that we have enacted. Thank you  
10 very much.

11 CHAIRMAN MUC: Thank you, Mr. Miller. I can see  
12 where you take a good deal of satisfaction in seeing these  
13 bids and the amounts of bonus offered. Considering the  
14 condition of the State treasury, why, we can all look at  
15 them with a good deal of satisfaction.

16 Mr. Hortig, the next item?

17 MR. HORTIG: If the Commissioners will refer to page 8  
18 of the agenda items for the first session.

19 On June 27, 1958, six bids were received in response  
20 to a published Notice of Intention of the Commission to  
21 enter into a lease for 3840 acres of tide and submerged  
22 lands designated as Parcel "A", Santa Barbara County.  
23 Publication of this offer was authorized by the Commission,  
24 and the combined bid-lease form had been approved by the  
25 office of the Attorney General prior to the lease offer as  
26 to compliance with applicable statutes and rules and



1 regulations. This form was also authorized for use by the  
2 State Lands Commission. The office of the Attorney General  
3 has reviewed the highest bid--a joint bid of Phillips  
4 Petroleum, Edwin W. Pauley et al., with a complete list of  
5 bidders detailed on Exhibit A attached. This review has  
6 been for award of the lease, and the office of the Attorney  
7 General has advised that the Commission, in its discretion,  
8 may award the Lease No. Work Order 2718 (A) to the Phillips  
9 Petroleum Company, Edwin W. Pauley et al. group as the  
10 highest qualified bidders.

11 A summary of the bonus payment offers received from  
12 all bidders pursuant to the lease proposal for this par-  
13 ticular parcel is attached.

14 Therefore, it is recommended that, in accordance with  
15 the provisions of Division 6 of the Public Resources Code,  
16 the Commission authorize the Executive Officer to issue  
17 an oil and gas lease to Phillips Petroleum, Edwin W. Pauley  
18 et al., joint bidders, who submitted the highest qualified  
19 bid, for the 3840-acre parcel of tide and submerged lands  
20 designated as Parcel "A", in Santa Barbara County, and  
21 as detailed in the published notice of intention under  
22 Work Order 2718 (A), published April 28 and May 5, 1958,  
23 the cash bonus payment in consideration of issuance of the  
24 lease to be \$13,550.00, as offered in the joint bid. The  
25 award of lease is to be subject--correction, I shall say  
26 pursuant to the award of lease, the joint bidders are to

1 designate a lease operator to be fully responsible for  
2 performance under the terms of the lease to be issued.

3 CHAIRMAN MUGFORD: You have heard the recommendation.

4 GOV. POWERS: Mr. Chairman, I will move we accept the  
5 recommendations of the staff.

6 MR. KIRKWOOD: I will second that, so it will be open  
7 now for discussion.

8 CHAIRMAN MUGFORD: Is there anyone in the audience that  
9 wishes to be heard in respect to this recommendation?

10 (No response.)

11 Any further discussion by any members of the Commission?  
12 Ready for the question? Mr. Kirkwood.

13 MR. KIRKWOOD: Aye.

14 CHAIRMAN MUGFORD: Governor Powers?

15 GOV. POWERS: Aye.

16 CHAIRMAN MUGFORD: Aye. The recommendation of the  
17 staff in regard to this lease is unanimously adopted.

18 The next item, Mr. Hortig.

19 MR. HORTIG: Page 4 of the first session of the agenda,  
20 gentlemen. Identical in preliminary discussion to the  
21 item you gentlemen have just considered; five bids were  
22 received pursuant to published Notice of Intention for the  
23 parcel designated as Parcel "C" under the subject lease  
24 offer. The bid-lease form had been authorized for use by  
25 the Commission after review and approval by the office of  
26 the Attorney General. The office of the Attorney General

1 has also reviewed the highest bid--a joint bid of Standard  
2 Oil Company of California and Humble Oil & Refining Company--  
3 for award of the lease. The Attorney General has determined  
4 that the Commission has complied with the procedural re-  
5 quirements of law and the bid submitted conforms with the  
6 bid requirements as specified in the proposal of the  
7 Commission, with the applicable statutory provisions of law,  
8 and with the rules and regulations of the Commission. Again  
9 a summary tabulation of all bonus payment offers received  
10 pursuant to the lease proposal is attached, and it is  
11 recommended that, in accordance with the provisions of  
12 Division 6 of the Public Resources Code, the Commission  
13 authorize the Executive Officer to issue an oil and gas  
14 lease to Standard Oil Company of California and Humble Oil &  
15 Refining Company, joint bidders, who submitted the highest  
16 qualified bid, for the 3840-acre parcel of tide and sub-  
17 merged lands designated as Parcel "C", in Santa Barbara  
18 County, as detailed in the published Notice of Intention  
19 under Work Order 2718(C), published April 28 and May 5, 1958,  
20 the cash bonus payment in consideration of issuance of the  
21 lease to be \$12,423,598.05, as offered in the joint bid.  
22 Pursuant to the award of the lease, the lease lessees are  
23 to designate a lease operator to be fully responsible for  
24 performance under the terms of the lease to be issued.

25 MR. KIRKWOOD: Move approval.

26 GOV. POWERS: I will second it.

1 CHAIRMAN MUGFORD: It has been moved and seconded  
2 that the staff recommendation be approved. Any further  
3 discussion? Does anyone wish to be heard in the audience?

4 (No response.)

5 Ready for the question? All those in favor of  
6 adopting the staff recommendation signify by saying aye.

7 MR. KIRKWOOD: Aye.

8 GOV. POWERS: Aye.

9 CHAIRMAN MUGFORD: Aye. Unanimously adopted.

10 MR. HORTIG: Page 6, gentlemen.

11 The same procedures, bid-lease form and publications  
12 were followed in connection with the offer of Parcel "D"  
13 as have already been outlined for Parcels "A" and "C" which  
14 you gentlemen have considered. The office of the Attorney  
15 General has reviewed the highest bid--a joint bid of The  
16 Texas Company, Monterey Oil Company and Newmont Oil Company--  
17 for award of the lease, and has determined that the Commission  
18 has complied with the procedural requirements of law and  
19 the bid submitted conforms with the bid requirements specified  
20 in the proposal of the Commission, the applicable statutory  
21 provisions of law, and the rules and regulations of the  
22 Commission.

23 MR. KIRKWOOD: I move the adoption of the recommendation.

24 GOV. POWERS: I second it.

25 MR. KIRKWOOD: I don't know why you can't get this  
26 for all of them.



1 MR. HORTIG: We tried.

2 CHAIRMAN MUGFORD: Any question or does anyone desire  
3 to be heard?

4 (No response.)

5 If there be no objection, the recommendation of the  
6 staff is unanimously adopted.

7 MR. HORTIG: If I may suggest, gentlemen, the  
8 recommendation of the staff in this connection is modified  
9 from the written recommendation, as it has been in the pre-  
10 ceding ones, in that the joint bidders designate a lease  
11 operator pursuant to award of the lease rather than making  
12 a designation of the lease operator a condition of the award.

13 CHAIRMAN MUGFORD: Yes. In that respect the minutes  
14 will be corrected to make that clear.

15 MR. HORTIG: Page 11, gentlemen.

16 Now under consideration is the high joint bidder of  
17 Phillips Petroleum, Edwin W. Pauley et al., for Parcel "E"  
18 offered under identical conditions of bid-lease form publica-  
19 tion, etc., as have been reviewed for the preceding three  
20 parcels. It is recommended again--

21 MR. KIRKWOOD: I move the approval of the recommendation  
22 with the change on the condition.

23 GOV. POWERS: I second it.

24 CHAIRMAN MUGFORD: Any further discussion, or does  
25 anyone wish to be heard on this motion?

26 (No response.)

1       There being no objection, the recommendation is  
2 unanimously adopted.

3       MR. HORTIG: Page 1, gentlemen.

4       Under consideration now are the bids received for  
5 Parcel "B", published on the same bid-lease form under the  
6 same terms and conditions as the bid offers considered for  
7 the previous four parcels. The high bid submitted, a joint  
8 bid of Standard Oil Company of California and Humble Oil &  
9 Refining Company, has been determined by the office of the  
10 Attorney General to conform and be in compliance with all  
11 specified bid conditions.

12       The cash bonus payments offered for award of a lease  
13 covering the area included in Parcel "B" do not compare  
14 favorably with the other offers received for leases in the  
15 same general area. The amount of cash bonus per acre offered  
16 in the highest bids received for the five parcels tabulated  
17 range from a low of \$200.74 per acre offered for Parcel "B"  
18 to a high of \$6174.88 per acre offered for Parcel "D".

19       Since May 18, 1956, core drilling operations have been  
20 conducted under permits authorized by the State Lands  
21 Commission, reserving the right for review by the staff of  
22 all factual and physical results. During this period 174  
23 core holes have been drilled below a depth of 500 feet below  
24 the ocean floor in the area between Point Conception and  
25 the westerly limits of Elwood Field. Only 5 core holes  
26 were drilled within the limits of Parcel "B" and no core

1 drilling operations were conducted outside of the parcel  
2 within approximately one-half mile of the perimeter of  
3 Parcel "B". Based on the limited amount of geological in-  
4 formation available for review by the staff covering this  
5 specific area, it is impossible to make an effective current  
6 evaluation of structural features which might be favorable  
7 for oil and gas accumulation. The petroleum engineering  
8 consultants retained by the Commission have indicated con-  
9 currence with these views and have recommended that the  
10 Commission reject the bid for the subject parcel.

11 Section 6836 of the Public Resources Code provides  
12 in part that the Commission shall publicly open the sealed  
13 bids and shall award the lease for each parcel to the  
14 highest qualified bidder, unless in the opinion of the  
15 Commission the acceptance of the highest bid for any parcel  
16 or parcels is not for the best interests of the State, in  
17 which event the Commission shall reject all the bids for  
18 such parcel or parcels.

19 It is recommended that, pursuant to Section 6836 of  
20 the Public Resources Code, the Commission determine that  
21 the acceptance of the highest bid is not for the best  
22 interests of the State and reject all bids for award of  
23 leases received on June 27, 1958, covering 3840 acres of  
24 tide and submerged lands designated as Parcel "B".

25 CHAIRMAN MUGFORD: Is there any--

26 MR. MARCUS MATTSON: I would like to be heard in

1 connection with that recommendation. My name is Marcus  
2 Mattson. I am attorney for Standard Oil Company of Cali-  
3 fornia, one of the two joint bidders.

4 The bidding on all of these parcels, including Parcel  
5 "B" was in the best tradition of competitive bidding. It is  
6 the best competitive bidding that the State has ever re-  
7 ceived, and that is true with regard to Parcel "B" as well  
8 as with regard to any of the parcels. Standard Oil Company  
9 and Humble Oil & Refining Company are the highest qualified  
10 bidders. The statute says they should have the bid, other  
11 than in the exceptional case only, and this is no exceptional  
12 case. This is a case in which we have every evidence of  
13 finest and most extensive competitive bidding that the State  
14 has ever had, and we think the recommendation should not be  
15 accepted. The evaluation of these parcels has been the  
16 subject of thinking by all the geologists in this area, and  
17 some over the nation. The best evaluation, I think, is  
18 evident by the bids. Our bid is some seven hundred per cent  
19 of the next highest bid. It has to be the best bid on any  
20 of the parcels, because the disparity between the high bid  
21 and the next highest is so great. We have in effect left  
22 some \$600,000 on the table, as the saying goes. We think  
23 that the recommendation should not be accepted. If, on the  
24 other hand, the Commission feels inclined at all to do so,  
25 we would like to have a fuller opportunity to present our  
26 views.



1 CHAIRMAN MUGFORD: Thank you, sir.

2 MR. EDWIN W. PAULEY: Mr. Chairman.

3 CHAIRMAN MUGFORD: Mr. Pauley.

4 MR. PAULEY: You will note that I am the second high  
5 bidder, and I also call your attention to the fact that in  
6 this case there is only Edwin W. Pauley and Pauley Pan  
7 American Petroleum Company and Pauley California Tide Lands,  
8 Incorporated. I contrast that with the other bids, where  
9 there are associated with the Phillips Petroleum and me,  
10 there are forty-two other bidders. My other associates  
11 I could not get to join me on this bid at all, and I bid  
12 a total of \$103,500, and I bid it sincerely, and I believe  
13 that the Standard Oil Company and myself are good, qualified  
14 bidders.

15 CHAIRMAN MUGFORD: Any further discussion? Does  
16 anyone else wish to be heard on this matter?

17 MR. KIRKWOOD: I would like to hear from the consultants  
18 as to the development of their recommendation on this.

19 MR. HORTIG: Dr. Kaveler and Mr. Keplinger are with  
20 us this morning.

21 DR. H. H. KAVELER: Mr. Chairman and gentlemen of the  
22 Commission: This is one of those situations referred to on  
23 a previous occasion when the consultants can be of little  
24 help to the Commission, I am afraid. But to the extent that  
25 my opinion may be of assistance to you, the distinguished  
26 gentlemen who spoke against the recommendation made by the

1 Department have made a fair and honest statement of one  
2 viewpoint.

3 The viewpoint that I took in my advice to the Board,  
4 to the Commission, was simply that all parties admit that  
5 very little is known about this area "B". Further explora-  
6 tion work will probably be done directly in the way of  
7 geological and geophysical exploration. There will be  
8 additional information come from the development program  
9 that will result from the awarding of the other four leases.  
10 In time, therefore, a great deal more will be known about  
11 area "B" than is known now. Now, the question comes down  
12 to simply a business proposition: Is it worth while to the  
13 State of California to pass by the \$700,000 and take a  
14 chance that at some later time a bonus bid substantially  
15 higher might be had. It is equally probable that a bonus  
16 bid of zero dollars might ultimately be had on tract "B".  
17 So we get beyond the realm of ordinary technical discussion  
18 and come to a business consideration, and I think in the  
19 face of the bonuses offered for the other four tracts, in  
20 view of the uncertainty as to what tract "B" will ultimately  
21 amount to, it would be good business for the State to reject  
22 this bid, and gamble--if the Commission doesn't abhor that  
23 word "gamble"--on the future value of this area. I think  
24 with fifty-three million in hand you can pass by a million  
25 and take your chances, so I would join the staff in its  
26 recommendation.



1 CHAIRMAN MUGFORD: Thank you.

2 MR. MATTISON: I don't think this is any case for  
3 gamble. I don't think there is any change in the conditions  
4 over what it was when the invitations were sent out for bids.  
5 I think it is bad policy for the State and against the  
6 interests of the State, to establish a policy of freely  
7 rejecting bids. The bidders, it is quite evident in this  
8 competition, have gone all out. They have bid their  
9 ultimate amount, and we did on Parcel "B". Now, if you  
10 adopt a policy of rejecting bids, that means that every  
11 bidder hereafter must hold back so that he has enough for  
12 the second go-around, and in order to be able to be in the  
13 bidding. It means also that the man who makes a high bid  
14 for the State has really merely set up something to be shot  
15 at. Now, that we think is bad policy so far as the State  
16 is concerned. We can argue this question with the con-  
17 sultants on geology. We think that the value of this parcel  
18 is well represented by the bids. We can argue that, if  
19 given an opportunity. I am not a geologist, and this is  
20 hardly the opportunity to do it, but if the Commission is  
21 at all inclined to adopt this recommendation, which I under-  
22 stand is a geological one, the Commission has to act on  
23 other considerations. They have to act with consideration  
24 to the general policy of the statute. The statute is one  
25 to foster competitive bids; it doesn't foster negotiative  
26 bids, which a bid like this would become if you start

1 negotiating against the high bidder. It shouldn't foster  
2 auction bidders. This is competitive, sealed bidding. The  
3 State has been eminently successful on this bidding, and I  
4 think the State should preserve that sort of thing. The  
5 State has never been one to reject bids on the tide lands.  
6 Only on one occasion that I know of did they stop bidding  
7 and they returned the bids unopened at that time. That I  
8 think was on Point Mugu. After they returned the bids un-  
9 opened and didn't put the property up for sale, an upland  
10 well was drilled which proved the land to be of no value at  
11 all, at least so far as I know. The general reputation now  
12 is that nobody is willing to bid on Point Mugu lands, so  
13 the State in that case lost whatever bonus it had in the  
14 unopened bids, and I think they would here.

15 CHAIRMAN MUGFORD: Thank you, sir. Any further dis-  
16 cussion?

17 MR. KIRKWOOD: Is Mr. Keplinger here?

18 MR. C. H. KEPLINGER: Mr. Chairman, I have listened  
19 with interest to these remarks and want you to know that  
20 we have considered as consultants to the Commission all the  
21 points that have been brought up. We investigated the  
22 facts about Point Mugu, the Superior Oil Company's problems  
23 in that case, what the Commission did, and at this time our  
24 recommendation was based really on the fact that this tract  
25 of land, tract "B", is in a very well located, prospective  
26 area for oil development. The geologists of California



1 and of the nation have studied this area and figures are  
2 anywhere from four billion barrels of oil to ten billion  
3 barrels of oil which will be recovered from the California  
4 tide lands. It is one of the lucrative spots in the country,  
5 in the nation as a whole--in fact, the world, and this tract  
6 lies in a very prospective area. Now, the data that has  
7 been available to the geologists of the company is such that  
8 they bid the maximum price at this time of a little over  
9 seven hundred thousand dollars, and I think that, from my  
10 standpoint, is a fair offer, based on what is known and  
11 what as consultants we were able to find out about this  
12 particular tract. We made a very careful investigation  
13 ourselves, so if the Commission takes this offer of seven  
14 hundred and some thousand dollars, I think that it would be  
15 fair and the Commission would get the highest price that  
16 this tract would bring at this time; but we rejected the  
17 offer, made that recommendation to the Commission, because  
18 we thought that with the drilling on the other four tracts  
19 and the extra work which would be done, that at a later  
20 date the Commission would get a much higher figure, or at  
21 least as much as was offered in this case. I think that  
22 sums up the entire story from our point of view. Thank you.

23 MR. MATTSON: May I just say one more word?

24 CHAIRMAN MUGFORD: Yes.

25 MR. MATTSON: The Commission adopted a plan of develop-  
26 ment of these parcels. It was to develop the alternate

1 parcels, leaving the intervening. If this bid is rejected  
2 there would be ten miles between Parcel "A" and Parcel "C".  
3 That plan of development, the orderly plan of development  
4 which the Commission adopted, will then be rendered completely  
5 negatory so far as that area is concerned, and I think even  
6 the consultants for the Commission will say that ten miles  
7 is a long distance in drilling oil wells and in determining  
8 what is intervening. So that we think that in the interests  
9 of the State and it is in accordance with the Commission's  
10 plan, it is in accordance with the statute, and it is in  
11 accordance with the best tradition of true competitive  
12 bidding, that the bid be accepted.

13 CHAIRMAN MUGFORD: Anything further that anyone has  
14 to offer?

15 MR. KIRKWOOD: Mr. Chairman, I think that--I am sure  
16 that you have known of the problems of this Commission  
17 intimately enough in the last few years to be familiar  
18 basically with the things that we have been trying to  
19 achieve here, and that the arguments presented this morning  
20 don't fall on unfamiliar ears in your situation, because  
21 you have been keeping in touch with what this Commission has  
22 been doing. I think in saying that, what I am saying is  
23 perhaps I am--just in serving for the first time technically  
24 as a member of this Commission, I can't indicate his  
25 thinking as well as ours--at least for me--I think all  
26 three of us are most reluctant to throw out all bids except

1 under circumstances that would fully justify it. It isn't  
2 a frivolous thing in the mind of any one of us. It isn't  
3 anything that we should do except under circumstances which  
4 are compelling. We realize the arguments that you have  
5 made, that if we were to adopt this as a practice, common  
6 practice, that we would certainly be asking for trouble,  
7 and we would be departing from the basic concept under which  
8 this law has been developed. So I don't think that any of  
9 us wish to do something that isn't consistent with the over-  
10 all policy of the law and the overall policy of the Com-  
11 mission, that certainly none of us would wish to see any-  
12 thing that is inconsistent with the best interests of the  
13 State. It does seem to me that some of the things that  
14 you developed as objections to our throwing out all of the  
15 bids aren't quite valid in this situation. As I understand  
16 the recommendation here of the staff and of the consultants,  
17 it isn't that we would reject these bids and then in the  
18 near future go out with an invitation to bid on this parcel;  
19 presumably the reason for rejecting bids here would be that  
20 the next time around quite a different set of circumstances  
21 would exist, that the information which would be available  
22 would be different, and that the considerations of the oil  
23 companies themselves would be different. Now, if I mis-  
24 understand the recommendation, I want to understand it, but  
25 that is, as I understand it, the basic premise of this thing,  
26 that here we are advised--or the consultants recommended to



1 us that we do checkerboard, that we do put out only five  
2 areas here representing something less than half of the  
3 total that was originally requested, so that we could have  
4 the benefit of the development as it comes along and that  
5 we could get a true picture of this whole area. Now, as I  
6 understand it, they are modifying that recommendation in the  
7 belief that with the experience that has now come on the five  
8 parcels, that they are saying that we will further benefit  
9 by rejecting bids on this parcel and getting a chance for a  
10 more complete picture on the whole. Now, again I don't  
11 know if I am putting words into anybody's mouth here, but  
12 I am just trying to think in my own mind as to where we are  
13 going, and trying in my own mind to complete the points that  
14 you raised, that this was inconsistent either with the law  
15 or the policy that we had heretofore established. I don't  
16 think that we are inconsistent, and I am just trying myself  
17 to explore the recommendation and to see where we should  
18 head.

19 MR. MATTSON: May I speak to that?

20 CHAIRMAN MUGFORD: Yes.

21 MR. MATTSON: The consultants themselves have said  
22 that \$770,000 is a fair value today. They have heretofore  
23 said, and I don't know that there is anything to change  
24 their view, the best interests of the State will best be  
25 served by checkerboard development. Now, with those two  
26 things there can't be any reason for rejecting these bids,



1 as I see it. If they were to say it was an unfair price,  
2 that might be a reason, but that can't be so in face of the  
3 competitive bidding that we have gone through and even the  
4 consultant has said that \$770,000 is a fair value of that  
5 property today. Now, if you are going to--if they say on  
6 the one hand that you should have checkerboard bidding,  
7 checkerboard development, and on the other that this is a  
8 fair bid, the only answer is that it should be accepted,  
9 because it is in accordance with the geological policy of  
10 the State, as well as every other policy.

11 MR. KIRKWOOD: Might I just ask, have you and Mr.  
12 Holme had the chance to discuss this with the consultants?

13 MR. MATTSON: No, we have not.

14 MR. KIRKWOOD: I know Mr. Holme yesterday suggested  
15 that it might be helpful to have a discussion with them  
16 before we made up our minds finally. I personally don't  
17 want to do anything on the spur of the moment or without  
18 adequate discussion which we might regret doing later. If  
19 there is a feeling on your part and on the part of the  
20 consultants that a conference would be helpful and would  
21 give them a more complete picture in making their recommenda-  
22 tion, then I would personally like to see that done. I feel  
23 the consultants have been very helpful to us in formulation  
24 of our lease policy; I would be very reluctant at this time,  
25 certainly, to go against their recommendation, and yet if  
26 they or you feel that we are basing our determination on an

1 incomplete background, I would hate to see that. I  
2 would rather see us give the consultants and your staff a  
3 chance to get together, and Frank sit in on it, and see  
4 whether after such a consultation the recommendation would  
5 be the same. I think we want to explore the whole thing  
6 here. I realize there is a lot of money even in this one,  
7 a good deal of money tied up. Presumably your bid is  
8 acknowledged as the bid that would be accepted. I assume  
9 as far as the other two bids are concerned, we could tender  
10 a return of the money--I don't know if that is possible or  
11 not--in the meantime, but rather than act today on this one,  
12 if there is a feeling that we are acting on incomplete  
13 material, I would rather see us postpone our action.

14 MR. MATTSON: I would like very much to have the  
15 opportunity of our company people talking with the con-  
16 sultants. No doubt they are reasonable men, and if there  
17 is a chance that we can convince them, perhaps I think that  
18 chance ought to be taken.

19 MR. KIRKWOOD: Let me ask the two of them if this would  
20 be productive or would give--I know you are on the spot and  
21 we are on the spot, too, and I am not saying that you should  
22 do this, what I am asking is this: I know I would like to  
23 feel that I am acting on full knowledge and that I am acting  
24 on your advice which is given with full knowledge and after  
25 full discussion, is it going to be helpful to you to discuss  
26 this further with the principal bidder?