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TRANSCRIPT OF MEETING
of
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA - OCTOBER 14, 1958 - 10:00 A.M.

PARTICIPANTS:

THE COMMISSION:

MESSRS. T. H. MUGFORD, Chairman
HAROLD J. POWERS
ROBERT C. KIRKWOOD

STATE LANDS DIVISION:

MESSRS: F. J. HORTIG, EXECUTIVE OFFICER
FRED KREFT, ASSISTANT EXECUTIVE OFFICER
MRS. JUDY STAHL, SECRETARY

OFFICE OF THE ATTORNEY GENERAL:

MR. HOWARD S. GOLDIN
MISS MIRIAM E. WOLFF

CONSULTANT:

MR. J. M. WANENMACHER of Keplinger & Wanenmacher

APPEARANCE:

MR. HAROLD A. LINGLE, Attorney, City of Long Beach

REPORTER:
Louise H. Lillico
Division of Administrative Procedure

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1 MR. MUGFORD: The Lands Commission will be in order.
2 First item on the agenda is the minutes of the meeting of
3 September 2nd.

4 GOV. POWERS: I move the approval of the minutes.

5 MR. KIRKWOOD: Second.

6 MR. MUGFORD: All in favor? ("Aye") Minutes
7 are approved. Do you want to take up at this time the
8 time of the next meeting?

9 MR. HORTIG: We are not aware of any necessity for
10 a specific date.

11 GOV. POWERS: Make it over three weeks. I don't
12 care when after that.

13 MR. MUGFORD: All right. Mr. Hortig, do you want
14 to take up the next item?

15 MR. HORTIG: Yes sir. Mr. Chairman, in considera-
16 tion of the numerous personal appearances today in connec-
17 tion with a series of items we have on the agenda, would
18 it be appropriate to consider these items first, out of
19 order of the formal agenda and consider last those items on
20 which there will be no personal appearances?

21 MR. MUGFORD: Any objection?

22 MESSRS. POWERS and KIRKWOOD: No.

23 MR. MUGFORD: O. K.

24 MR. HORTIG: That being the case, I suggest we
25 start on page 1. On June 27, 1958, three bids were re-
26 ceived in response to a published Notice of Intention of

1 the State Lands Commission to receive offers to enter into
 2 a lease for the extraction of oil and gas from 3,840 acres
 3 of tide and submerged lands designated as Parcel "B" in
 4 Santa Barbara County. The office of the Attorney General
 5 has reviewed the high bid submitted by Standard Oil Company
 6 of California and Humble Oil & Refining Company and has
 7 determined that the bid submittal is in compliance with all
 8 specified bid conditions. A summary tabulation of bonus
 9 offers received pursuant to the lease proposal is attached.

10 The Commission has heretofore twice directed defer-
 11 ment and further consideration of the bid proposal and on
 12 September 8, 1958 a conference attended by the joint
 13 bidders' representatives, by the State's consultants, and
 14 by a representative of the staff was held in Tulsa, Okla-
 15 homa. At this conference the joint bidders presented
 16 summaries of exploration data for the area proposed for
 17 lease in Santa Barbara County.

18 Factors developed in this review follow in a
 19 composite summary:

20 (1) There has been industry-wide seismic reconnais-
 21 sance of the area for the last ten years, as well as
 22 exploration by dart and jet coring;

23 (2) Five deep core holes were drilled in the subject
 24 area under permit by two operators. The small number of
 25 holes drilled on Parcel "B" can be considered to indicate
 26 that private analyses of the seismic exploration data did

1 not warrant the expenditure of the large sums necessary
2 for more core drilling operations in the area;

3 (3) The tract offered is less favorable geologically
4 for the production of oil, based upon present data, than
5 any of the other adjoining tracts offered;

6 (4) The bid offer received is a reasonable offer
7 based on known information at this time;

8 (5) Rejection of the bid for Parcel "B" and future
9 re-offer for lease could result in a higher return. How-
10 ever, this result cannot be warranted and withholding the
11 area for future re-offer would be based on business specu-
12 lation normal to the oil industry on the theory that pros-
13 pectively the State has at least an even chance of getting
14 as much, or more, bonus at some future time.

15 In the event that substantial production were to be
16 developed in the area included in Parcel "B", the royalty
17 basis specified in the lease would provide for equitable
18 return on all oil and gas produced.

19 Therefore, it is recommended that, in accordance
20 with the provisions of Division 6 of the Public Resources
21 Code, the Commission authorize the Executive Officer to
22 issue an oil and gas lease to Standard Oil Company of Cali-
23 fornia and Humble Oil & Refining Company, joint bidders,
24 who submitted the highest qualified bid for the 3840-acre
25 parcel of tide and submerged lands designated as Parcel "B"
26 in Santa Barbara County, as detailed in the Notice of

1 Intention under Work Order 2718(b) published April 28 and
2 May 5, 1958, the cash bonus payment in consideration of
3 issuance of the lease to be \$770,837.70 as offered in the
4 joint bid.

5 The award of lease is to be subject to the designa-
6 tion by the joint bidders of a lease operator, to be fully
7 responsible for performance under the terms of the lease
8 to be issued.

9 For the information of the Commission, the Commis-
10 sion's consultant, Mr. Wanenmacher, is here this morning,
11 and representatives of Standard Oil Company of California
12 and Humble Oil & Refining Company.

13 MR. MUGFORD: Mr. Wanenmacher, would you wish to
14 elaborate on this matter?

15 MR. WANENMACHER: I would like to say that the
16 consultants at first were reluctant to accept this bid.
17 I think it was because so much higher bids were offered
18 at the time on the other tracts; and now that a few months
19 have passed by, I think you tend to forget those high bids
20 and analyze this tract on its own merits. The more we
21 found out about this particular parcel, the less attractive
22 it became. In other words, the possibilities of finding
23 oil are much less than we had formerly believed.

24 I would like to call attention to the fact that
25 this is \$200 an acre and that \$200 an acre is a sizable
26 sum. I have before me a clipping from "Petroleum Week"

1 October 10th, giving the results of a University of Texas
2 lease. On September 30th, 4,444 acres in West Texas were
3 sold at a price of \$515,200. The average price is \$116
4 an acre. Those leases don't carry a sliding scale that
5 goes up like these do and furthermore most of them do not
6 carry drilling commitments.

7 Now, on September 29 there were sales of Oklahoma
8 school lands -- 6,707 acres brought \$102,800 or, roughly,
9 \$15 an acre. South Dakota September 24th -- there was a
10 sale of land -- doesn't give the final results, but the
11 highest bid was \$17.64 an acre.

12 Now, when we isolate this case of Parcel "B" and
13 when we think about it alone and forget the enormous sums
14 received for the other tracts, I believe that the offer
15 of Standard Oil Company of California and Humble is a very
16 good offer and I do not recommend Let's put it this
17 way: I recommend that it be accepted, because I am afraid
18 if we wait all cash bonuses will be much lower.

19 Now, the cash bonuses on the Gulf Coast tidelands
20 all started out high. Those tidelands were leased in
21 larger blocks and smaller royalties, frequently without
22 drilling obligations. They have averaged \$200 an acre
23 or slightly less and the general consensus of opinion of
24 the operators is that very few of the tracts will make
25 money and there is the .. Let's put it this way, that the
26 present prices paid or offers are much less than they were

1 originally. Now, I am afraid that perhaps that same
2 condition will be paralleled in your case here. In other
3 words, the first bids will be the high ones and five years
4 from now that the bids will be much lower. So I and my
5 partner and Mr. Kaveler, the other consultant, recommend
6 that this bid be accepted.

7 MR. MUGFORD: Thank you, Mr. Wanenmacher. Do you
8 want to hear from representatives of the Standard Oil Com-
9 pany ...

10 MR. KIRKWOOD: I'd like to ask Mr. Wanenmacher a
11 couple of questions. You and Mr. Kaveler have been in dis-
12 cussion on this since the meeting of September 8th, is
13 that it?

14 MR. WANENMACHER: Yes sir.

15 MR. KIRKWOOD: And your letters to us of September
16 11th and ...

17 MR. WANENMACHER: Just previous to my visit out here,
18 we met with Mr. Kaveler.

19 MR. KIRKWOOD: M-m-mhm. So that now the two of you
20 are both in agreement with the recommendation of the staff?

21 MR. WANENMACHER: Yes sir.

22 GOV. POWERS: Well, I have the letters they wrote us.
23 I move we accept the recommendation at this time.

24 MR. KIRKWOOD: Well, I can't help feeling that --
25 at least my reaction was that we hired the cossultants to
26 advise us on the basis that they were more expert than we

1 and if they are in agreement with our staff, I would feel
2 we were second-guessing on this -- so I would second it.

3 MR. MUGFORD: It has been moved and seconded that
4 it be accepted. All in favor? Unanimously adopted.

5 MR. HORTIG: Page 4, gentlemen. The Commission has
6 previously authorized a grant of deferment of drilling and
7 operating requirements to Monterey Oil Company in the opera-
8 tions under the single lease held in Belmont Offshore Field
9 to permit certain construction work to be undertaken preced-
10 ent to initiating water injection operations. Due to un-
11 foreseen difficulties encountered in developing engineering
12 plans and delays in delivery of equipment, the construction
13 operations have fallen behind schedule. A request has been
14 received from Monterey Oil Company for a further deferment
15 of drilling requirements until March 15, 1959, and the
16 grant of this deferment is recommended by the staff.

17 MR. KIRKWOOD: I move it.

18 GOV. POWERS: O. K.

19 MR. MUGFORD: It is unanimously adopted.

20 MR. HORTIG: Page 5 -- State Oil and Gas Lease
21 P.R.C. 410 was issued in extension of former State Oil and
22 Gas Lease P.R.C. 52, originally issued under the provisions
23 of Chapter 303 of the Statutes of 1921. P.R.C. 410 provides
24 for an operating period of ten years and then consideration
25 for renewal. An application has been received from Richfield
26 Oil Corporation for renewal of this lease and requesting

1 that, in accordance with the current provisions of the
2 Public Resources Code, an exchange lease be issued as
3 authorized, in order to assure sufficient operating period
4 to permit the operator to recoup additional capital, which
5 they intend to invest in terms of rehabilitation of the
6 operating works on the lease, as well as drilling new wells.

7 Therefore, it is recommended that the Commission
8 authorize the Executive Officer to issue a new lease in
9 exchange for Oil and Gas Lease Extension and Renewal P.R.C.
10 410 in accordance with the provisions of Section 6827 of
11 the Public Resources Code, as requested by the Richfield
12 Oil Corporation. The new lease is to be for a term of five
13 years and for so long thereafter as oil or gas is produced
14 in paying quantities or lessee shall be conducting produc-
15 ing, drilling, deepening, repairing, redrilling or other
16 necessary lease or well maintenance operations on the leased
17 land. The new lease is to be issued at the same royalty
18 and upon the same terms and conditions as Lease P.R.C. 410
19 for which it is to be exchanged. (Parenthetically, the
20 language of the resolution is the language of the authoriz-
21 ing statute.)

22 GOV. POWERS: I move it.

23 MR. KIRKWOOD: Second.

24 MR. MUGFORD: Recommendation unanimously adopted.

25 MR. HORTIG: Page 6, we have a completely analogous
26 situation to that just considered by you gentlemen, in that

1 Monterey Oil Company and Suniland Oil Corporation, as
 2 holders of a former agreement for easement at Huntington
 3 Beach which was issued for an original term of twenty
 4 years with option to renew, have also requested that pur-
 5 suant to Section 6827 of the Public Resources Code a new
 6 exchange lease be granted in order to permit continued
 7 operations from the existing one oil well which has been
 8 drilled, which one oil well was the total number of wells
 9 authorized under the original easement agreement; and it
 10 is recommended that an exchange lease be issued.

11 MR. MUGFORD: Agreeable?

12 GOV. POWERS: I move.

13 MR. KIRKWOOD: Second.

14 MR. MUGFORD: The recommendation is adopted.

15 MR. HORTIG: And even more analogous, if I haven't
 16 scrambled the language, is the item on page 7, whereunder
 17 Monterey and Suniland again, as holders of another single
 18 well agreement for easement issued the same date of the
 19 preceding item, also request the issuance of an exchange
 20 lease ...

21 MR. KIRKWOOD: Move it.

22 MR. MUGFORD: All right with you?

23 GOV. POWERS: Yes.

24 MR. MUGFORD: That's adopted.

25 MR. HORTIG: Page 8 -- continuing in the same vein --
 26 State Oil and Gas Lease P.R.C. 308, which was issued pursuant

1 to competitive bidding in 1947 for a term of twenty years:
2 The present lessees, and the designated operator, Richfield
3 Oil Corporation, are requesting the advantages of a new
4 exchange lease issued pursuant to Section 6827 of the
5 Public Resources Code, again to justify continued explora-
6 tion expenditures.

7 MR. KIRKWOOD: Does this require drilling, or what
8 is the setup on this?

9 MR. HORTIG: Drilling is required under all of these
10 leases until there have been drilled the specified number
11 of wells per acre leased. There has been drilling but no
12 production on this or the one following which you are going
13 to consider; but with only nine years to go, the undertak-
14 ing of an extensive exploration program appeared to be too
15 risky to the present lessees except under the broader and
16 more effective operating provisions of an exchange lease
17 issued with the current provisions of the Public Resources
18 Code.

19 MR. KIRKWOOD: You mean they are getting more in the
20 way of lease terms than they would otherwise?

21 MR. HORTIG: Yes sir.

22 MR. KIRKWOOD: What is the royalty rate on this?

23 MR. HORTIG: It is a sliding scale royalty and the
24 bid factor, if I recall, was on the basis of 1. In other
25 words, the basic royalty schedule used at that time. It
26 was a good

1 MR. KIRKWOOD: O. K.

2 MR. MUGFORD: Agreeable to you?

3 GOV. POWERS: Yes.

4 MR. MUGFORD: Adopted.

5 MR. HORTIG: Identical situation follows on page 9
6 for the lease adjoining the one that you just considered.

7 GOV. POWERS: It is identical?

8 MR. HORTIG: Geographically -- same lessees, same
9 operating conditions ...

10 GOV. POWERS: Same.

11 MR. MUGFORD: Same action?

12 MR. KIRKWOOD: Yes. GOV. POWERS: O. K.

13 MR. MUGFORD: Same action.

14 MR. HORTIG: If you gentlemen will refer to page 46,
15 please ...

16 GOV. POWERS: 46?

17 MR. MUGFORD: Yes sir. The Commission has heretofore
18 approved, pursuant to Chapter 29, expenditures by the City
19 of Long Beach, including costs of subsidence remedial work,
20 for projects which have been approved on a fiscal year basis
21 which are titled "Pier A", "Pier B", "Back Areas - Piers
22 A to D" and "Roads and Streets". Subsequent to these
23 approvals, it has developed that additional costs will have
24 to be disbursed by the Harbor Department and these projects
25 have received initial staff review and are considered to
26 include some subsidence costs as defined in Chapter 29; and,

1 therefore, it is recommended that the Commission approve
2 such costs proposed by the City of Long Beach, including
3 subsidence remedial work as indicated on Exhibit A attached,
4 subject to the standard reservations by the Commission.

5 MR. KIRKWOOD: Approved.

6 MR. MUGFORD: Agreeable with you, Governor Powers?

7 GOV. POWERS: Yes.

8 MR. MUGFORD: Recommendation is approved.

9 MR. HORTIG: Page 51 -- An analogous situation --
10 Pier D Area project, previously approved by the Commission
11 on a fiscal year basis; but in order to obtain prior approval
12 of subsidence costs for continuing work and new work on the
13 Pier D project, the City of Long Beach through the Port of
14 Long Beach has presented this for approval.

15 MR. KIRKWOOD: What is this?

16 MR. HORTIG: An additional project -- page 51, sir.
17 Again, this has received initial staff review and is recom-
18 mended for approval by the Commission -- all such costs
19 subject to the standard reservations by the Commission, for
20 final review and audit after the project is completed.

21 MR. KIRKWOOD: O. K.

22 MR. MUGFORD: Item is approved?

23 GOV. POWERS: Yes, that's all right.

24 MR. HORTIG: Page 53.

25 MR. KIRKWOOD: Same sort of thing?

26 MR. HORTIG: Identical situation, except this relates

1 to the Town Lot Area project.

2 MR. KIRKWOOD: M-m-mhm.

3 MR. MUGFORD: Same action?

4 GOV. POWERS: Same.

5 MR. HORTIG: 55 ... I am sorry, not 55 -- into the
6 supplemental calendar, page 76. The Commission -- at
7 least two members of the Commission will recall having
8 participated in the approval to the City of Long Beach to
9 conduct expanded water flooding operations subject to maximum
10 limitation of four million dollars on expenditures. An
11 additional program to be carried on under that authorization
12 has been presented by the City of Long Beach, entitled
13 "Cooperative Agreement - Fault Block III (Tar and Ranger
14 Zones" in the Wilmington Field. This program does not
15 contemplate the expenditure of any additional funds or being
16 outside the scope of the project already authorized by the
17 Commission. However, by reason of adoption of Section 6879
18 of the Public Resources Code at the last session of the
19 Legislature -- and, incidentally, subsequent to the original
20 approval by the Commission of this project -- any unitization
21 or cooperative agreement on similar types of operations to
22 be undertaken by the City on tide and submerged lands are
23 subject to approval by the State Lands Commission and if the
24 State Lands Commission finds that said agreement provides
25 properly and that entering into performance of such agreement
26 is in the public interest, then the State Lands Commission

1 may approve such agreement on behalf of the State .

2 The question was raised with the office of the
3 Attorney General as to the propriety and authority of the
4 Commission to continue with approvals of projects and
5 proceeding under Chapter 29, as to whether that was in any
6 way influenced by the pending litigation, United States
7 vs. Anchor Oil Corporation; and I have this morning received
8 verbally from the office of the Attorney General the state-
9 ment that the office of the Attorney General feels that if
10 technically proper and the program can be recommended by
11 the staff as to the engineering facilities, that the Commis-
12 sion is authorized, and in conformance with the program the
13 Governor has directed for proceeding under State law on
14 any operations of this type, the Commission may approve
15 this specific project.

16 Therefore, in view of the late receipt of the clari-
17 fying statement as to the legal position, I should like to
18 amplify the item on page 76 and request that the Commission
19 find that the project is in the public interest and that the
20 Commission authorize the Executive Officer to inform the
21 City of Long Beach that pursuant to statute the project has
22 been approved by the State Lands Commission.

23 MR. MUGFORD: We would be in an incongruous sort of
24 position if we didn't make this answer.

25 MR. HORTIG: Yes, we would be advocating maximum
26 State action on the one hand and withholding the ability to

1 take action on the other.

2 MR. KIRKWOOD: All right.

3 GOV. POWERS: There's nothing much else to do.

4 MR. HORTIG: If I may amplify the recommendation,
5 our counsel points out that pursuant to Public Resources
6 Code Section 6879 the City (this is Long Beach) cannot
7 enter into the cooperative agreement herein considered
8 unless the City first determines, pursuant to the Public
9 Resources Code, that the project is in the interest of in-
10 creasing the ultimate recovery of oil or gas from such lands,
11 or the protection of oil and gas in said lands from unreason-
12 able waste, or that the subsidence or sinking of such lands
13 or abutting lands may be arrested or ameliorated thereby;
14 and it would appear that a resolution to this effect should
15 be adopted by the City Council.

16 Therefore, I would wish to amplify the recommendation
17 to the Commission, that the Commission's approval is con-
18 ditioned on the requisite finding being made and filed by
19 the City Council of Long Beach.

20 MR. MUGFORD: It has been moved and seconded that
21 the recommendation be adopted.

22 MR. KIRKWOOD: The specific form of the recommendation
23 will be worked out by you and the A. G.'s office?

24 MR. HORTIG: Yes sir.

25 MR. MUGFORD: The recommendation is unanimously
26 adopted.

1 MR. HORTIG: Page 76, gentlemen -- which is, again,
2 informative and principally

3 MR. KIRKWOOD: 77 or 78?

4 MR. HORTIG: 78, please ... is presented to the
5 Commission to alert the Commission to the fact that in
6 accordance with, or at least concurrently with and certainly
7 compatible with the Governor's directive for maximum activ-
8 ity under State law, there are extensive practical actions
9 being undertaken by the City of Long Beach and the Long
10 Beach Harbor Department; and the project referred to here,
11 which is again an additional and further expanded water
12 flooding project, will again come before the Commission
13 after the engineering is completed and will require approval,
14 pursuant to Chapter 29, in that the costs of the project
15 are generally estimated to be about five million dollars.
16 This program could be even a larger and more effective one
17 than the Commission has approved previously. This matter
18 is presented simply to apprise the Commission of the fact
19 that operations are not at a standstill in Long Beach.

20 MR. MUGFORD: Any questions? (No response)

21 MR. HORTIG: That covers the City of Long Beach.

22 MR. KIRKWOOD: What about this resolution?

23 MR. HORTIG: This will be undertaken later. Presenta-
24 tion will be made by the office of the Attorney General at
25 the end of the agenda.

26 MR. KIRKWOOD: You mean this morning?

1 MR. HORTIG: Yes.

2 MR. KIRKWOOD: Why isn't it tied into these?

3 MR. HORTIG: We can, if you so wish, Mr. Kirkwood.
4 The resolution,^{*} copy of which you gentlemen have before
5 you, was not received by the State Lands Division in time
6 to incorporate in either the regular or the supplemental
7 agenda for the State Lands Commission and has actually been
8 carried in here this morning by the representative of the
9 office of the Attorney General. The staff have no objec-
10 tion from any of the technical standpoints which are under
11 their cognizance, but in view of the manner of receipt of
12 this resolution, if the Commission would prefer to have the
13 Attorney General's representative present the desired reso-
14 lution and the reasons for presenting it in this manner and
15 at this time

16 MR. MUGFORD: Very well. Mr. Goldin.

17 MR. GOLDIN: Mr. Chairman and Commissioners, on a
18 prior occasion the State Lands Commission and representatives
19 of the Attorney General's office discussed the issuance of
20 a resolution of policy by this Commission in connection
21 with the case of United States vs. Anchor Oil Corporation
22 and others. This is the Long Beach Naval Shipyard subsid-
23 ence litigation now pending in the United States District
24 Court. The Governor and the Attorney General already have
25 issued a joint policy statement in the form of a press
26 release with reference to land subsidence in the Long Beach

*See Page 22 for copy of resolution and press release

DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA

1 area and the position of the State of California in U. S.
2 vs. Anchor. That joint policy statement was issued after
3 consultation with the Governor and his staff by the Chair-
4 man and Executive Officer of this Commission, together with
5 representatives of the Attorney General's office.

6 At the time of its release, it was represented that
7 the Governor's policy statement would be presented to the
8 State Lands Commission at a subsequent early meeting.
9 Consequently, a resolution has been prepared for considera-
10 tion of the Commission at this time and it is respectfully
11 recommended by the Attorney General's office and by the
12 Commission's own staff that such resolution be adopted by
13 this body today.

14 For the convenience of the State Lands Commission, I
15 have distributed copies of both the resolution and the pre-
16 viously mentioned joint policy statement of the Governor
17 and the Attorney General.

18 Succinctly, in the resolution the State Lands Com-
19 mission expresses its concurrence in the joint policy
20 statement of the Governor and the Attorney General of this
21 State. The Commission also authorizes and requests the
22 Attorney General of California to defend the Commission's
23 interests in the case of U. S. vs. Anchor Oil Corporation,
24 and, finally, instructs its staff to provide the Attorney
25 General with technical assistance and advice necessary or
26 appropriate for the presentation of the State's position

1 in that law suit; and we consequently request adoption of
2 that resolution if it meets with this body's approval.

3 MR. KIRKWOOD: What is the status of this thing?
4 Is the Attorney General satisfied with the progress that
5 is being made? I mean, we have had these other two items
6 up on the water flooding program. What about the specifics
7 of the action under the State law? Is that moving along at
8 the greatest possible speed?

9 MR. GOLDEN: To the best of our knowledge it is, sir.
10 We have been furnished with a comprehensive technical report
11 by your own staff. We have attended numerous conferences
12 with the representatives of the private operators and the
13 City of Long Beach and have received information as to the
14 status of the various repressuring plans now being formu-
15 lated. It has been anticipated that within a very short
16 time a minimum of two such plans will be filed with the Oil,
17 and Gas Supervisor and we are hopeful that in the very near
18 future we will have on file plans for each of the fault
19 blocks.

20 MR. KIRKWOOD: What is the status now of the action
21 that they were granted by the court?

22 MR. GOLDEN: Hearing on the Government's motion for
23 preliminary injunction has been continued to January 12,
24 1959. The time for the State and for the other defendants
25 to file its answer has been set as December 31. I also
26 believe that December 15 has been the time set by the Federal

1 Court for the filing of all points and authorities and
2 affidavits by the various defendants. Lastly, the date of
3 October 20 has been set by the same court as the deadline
4 for the filing of motions with reference to the complaint,
5 in the nature of motions to dismiss under the jurisdiction
6 of the Federal court -- which motions it is indicated will
7 be heard November 17, 1958. At present, the Attorney
8 General's office does not contemplate filing anything.

9 MR. KIRKWOOD: What is the reason for that? Why
10 wouldn't it be consistent with this policy statement for
11 some motion to be filed?

12 MR. GOLDIN: I think for the reason, Mr. Kirkwood,
13 that the complaint seeks damages of an indefinable amount
14 and with respect to damages we don't believe any motion to
15 dismiss will be well taken.

16 MR. KIRKWOOD: I hadn't seen this statement until
17 this morning actually, and I am not too familiar with it,
18 but doesn't this talk in terms of the Federal jurisdiction
19 as against State jurisdiction?

20 MR. GOLDIN: Yes.

21 MR. KIRKWOOD: If no motion is filed at this time
22 your ability to challenge Federal jurisdiction isn't bypassed?

23 MR. GOLDIN: No. We do not believe that you ever
24 waive any challenge with respect to jurisdiction.

25 MR. KIRKWOOD: It seems to me that what we are seek-
26 ing, at least as I understand it, is the speediest possible

1 cessation of subsidence in this area, starting to get us
2 on a firm foundation there; and as long as we are moving
3 in that direction certainly one feels that the State should
4 move in this situation rather than the Federal Government.
5 I would heartily concur in it and I don't feel under any
6 circumstances there would be anything possible that would
7 prevent us from moving with the greatest speed possible.
8 So I move the approval.

9 GOV. POWERS: We have accelerated our program.

10 MR. MUGFORD: This contemplates the greatest possible
11 reliance upon the State law in this regard?

12 MR. GOLDIN: That is correct, sir.

13 GOV. POWERS: That's all right.

14 MR. MUGFORD: Agreeable with you, Governor Powers?

15 GOV. POWERS: Yes.

16 MR. MUGFORD: It has been regularly moved and
17 seconded the resolution be adopted. All in favor?
18 ("Aye") The resolution is adopted.

19 MR. KIRKWOOD: The resolution is agreeable to the
20 City of Long Beach?

21 MR. LINGLE: Yes, it certainly is, members of the
22 Commission. I might point out that the action you took
23 this morning will permit us to start injecting water in the
24 most critical areas in the subsidence bowl and directly
25 under the Naval Base; so you are acting so that all of us
26 can proceed as rapidly as possible.

1 FOLLOWING IS COPY OF RESOLUTION AND PRESS RELEASE DISCUSSED
2 AT PAGE 17 ET SEQ.

3 WHEREAS the United States has recently filed a
4 civil action entitled "United States of America, Plaintiff,
5 v. Anchor Oil Corp., et al., Defendants, No. 800-58, HW-
6 Civil" in the United States District Court for the Southern
District of California naming as defendants numerous pri-
vate companies engaged in the production of oil and gas in
the Wilmington Oil Field as well as the State of California
and the City of Long Beach; and

7 WHEREAS in said action the United States seeks in-
8 junctive relief by way of mandatory field-wide water
9 repressurization of the Wilmington Oil Field, on pain of
shutting down the field, as well as money damages, on
account of the subsidence of the United States Naval
Shipyard at Long Beach; and

10 WHEREAS, although the State Lands Commission is
11 not itself named as a defendant in said suit, by virtue
12 of Chapter 29, Statutes First Extraordinary Session 1956,
13 this Commission has general responsibility in connection
14 with the interests of the State of California in and to
15 the tide and submerged lands held by the City of Long
Beach as trustee for the State, said tide and submerged
lands comprising a substantial portion of said Wilmington
Oil Field; and

16 WHEREAS on September 19, 1958, Honorable Goodwin
17 J. Knight, Governor of California, and Honorable Edmund G.
18 Brown, Attorney General of California, issued a joint policy
19 statement with reference to land subsidence in the Long
20 Beach area and with further reference to the position of
the State in said action of United States of America v.
Anchor Oil Corporation, which policy statement was in the
form of a press release, copy of which is attached to and
made a part of this resolution as Exhibit A hereto;

21 NOW, THEREFORE, the State Lands Commission:

22 (1) Expresses its concurrence in the said policy
23 statement of the Governor and the Attorney General of
California;

24 (2) Authorizes and requests the Attorney General
25 of California to represent and defend the Commission's
interests in said case of United States v. Anchor Oil
Corporation; and

26 (3) Instructs its staff to provide the Attorney

1 General with technical assistance and advice necessary
2 or appropriate for the presentation and defense of the
State's position in said lawsuit.

3 *****

4 EXHIBIT A

5 PRESS RELEASE

6 Governor Goodwin J. Knight
September 19, 1958

7 Governor Goodwin J. Knight and Attorney General
8 Edmund G. Brown in consultation with representatives of
the State Lands Commission, today announced an agreed
9 policy for the State's executive branch regarding the Long
Beach subsidence problem. The statement was issued with
10 particular emphasis on the recent lawsuit filed by the
federal government as a result of sinkage of the United
States Naval shipyard at Long Beach.

11
12 In their joint statement the Governor and the
Attorney General said: "Subsidence in the Long Beach
13 coastal area is a matter of the gravest concern to the
state government. The safety of the area's inhabitants
14 and the future of its economic life far outweigh all other
considerations. Qualified engineers believe that large-
15 scale water repressuring of the underground is the only
hope for arresting the land sinkage. It is vital that
16 this program be accomplished as soon as possible.

17 "Earlier this year the Legislature adopted a
subsidence control law. This law provides the procedures
18 and financial means for repressuring the Wilmington Oil
Field, either by voluntary action of the oil operators or
19 by compulsory orders of the State Oil and Gas Supervisor.
Months ago the City of Long Beach and the major oil pro-
20 ducers in the field commenced the arduous, complex task
of engineering the water injection program. Simultaneously
21 there has been a great acceleration of actual water injec-
tion. During the past year the rate of actual water in-
22 jection under voluntary programs has increased 225%.

23 "A few weeks ago the situation was greatly com-
plicated by a lawsuit filed by the federal Department of
24 Justice on account of the sinkage of the United States
Naval shipyard at Long Beach. In this lawsuit, over 300
California oil companies, as well as the City of Long
25 Beach and the State itself, are named as defendants. By
this action, the government seeks repressurization of the
26 Wilmington Oil Field under the exclusive control of the

2
1 federal courts plus damages running to unspecified millions of dollars.

2
3 "It is difficult to understand how or why water
4 pressuring under a federal court order offers a better or
5 more effective method of attack than that provided by
6 state law. The majority of the oil operators are proceeding
7 at full speed to get the state program under way. The
8 State Oil and Gas Supervisor has already commenced the
9 necessary proceedings. There is no reason to discard all
10 the progress to date under the state law. There is no
11 reason to replace state authority by federal court edicts.
12 Furthermore, the State Oil and Gas Supervisor is far better
13 qualified than any court to supervise the highly technical
14 water injection arrangements. This is essentially a state
15 problem, and the State's executive branch will insist on
16 following the program and the policies laid down by the
17 California legislature.

10
11 "Members of Attorney General Brown's staff, with
12 his personal approval, have recommended that the State insist
13 on going ahead under state law rather than under the
14 injunctive power of the federal court, and that the federal
15 court should not attempt to step into the matter until the
16 state law has had a chance to work. The Attorney General
17 has expressed the view that if the federal court is to
18 control anybody at all, it might well be those few oil
19 operators who fail to cooperate in the state-sponsored
20 program. The fact seems to be that every major oil producer
21 in the Wilmington field has committed itself to
22 wholehearted cooperation under the state law.

17
18 "The Governor has accepted Attorney General
19 Brown's recommendations as to the State's position in the
20 federal lawsuit. The State is just as anxious as the
21 federal authorities to halt further sinkage of the Naval
22 shipyard. It does not agree with the federal authorities' evident
23 desire to displace state law by federal court
24 orders. The State's cooperation will be best expressed by
25 the implementation of the program laid down by the State
26 Legislature. If, contrary to all expectations, oil producers
do not accomplish adequate results under state law, the Governor
and Attorney General will then review the State's position in the
litigation and will, if necessary, seek changes in the state law."

24
25 Governor Knight also announced that, in line with
26 the above statement, he had instructed the State Oil and
Gas Supervisor and the State Director of Finance to do everything
possible to expedite effective operation of the subsidence
measures provided by state law.

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Participants in consultations with the Governor and his staff were T. H. Mugford, State Director of Finance, F. J. Hortig, Executive Officer of the State Lands Commission, Assistant Attorney General Leonard M. Friedman and Deputy Attorney General Howard Goldin. Mugford, who is Chairman of the State Lands Commission, indicated that the Governor's policy statement would be presented to the State Lands Commission at an early meeting of that body.

1 MR. MUGFORD: Next matter?

2 MR. HORTIG: If the gentlemen will refer to pages
3 10 to 19 of the regular calendar, these refer to the assign-
4 ment of partial interests in two leases issued recently by
5 the Lands Commission to Mr. Edwin W. Pauley and others,
6 and for an assortment of reasons it has either been required
7 or become desirable to assign partial interests in these
8 leases. In one instance, as in the case of the Union Oil
9 and Gas Corporation of Louisiana, there was a conflict in
10 name which was felt to be undesirable by the Secretary of
11 State and the Commissioner of Corporations, and the partial
12 interest, therefore, is being assigned to another corporate
13 entity, unless there be confusion, I assume, with Union
14 Oil Company of California; and the balance of the partial
15 assignments are proposed by the Pauley interests as a matter
16 of expediting some of their own business requirements.

17 They have all been reviewed, the qualifications of
18 the assignees have been determined to be equal to those
19 of the assignors, and, therefore, for the group of items
20 appearing on calendar pages 10 through 19 it is recommended
21 that the Commission authorize the Executive Officer to
22 approve the assignment of the partial interests in the
23 named leases, either P.R.C. 2205 or 2207.1, from the named
24 assignors to the named assignees; that the assignee be bound
25 by terms of the lease to the same extent as the original
26 lessee.

1 MR. KIRKWOOD: These have been reviewed by the
2 A. G.'s office?

3 MR. HORTIG: Yes sir.

4 MR. KIRKWOOD: I'd move it.

5 GOV. POWERS: I guess that's all in order. I'll
6 second.

7 MR. MUGFORD: The recommendations are approved --
8 pages 10 through 19.

9 MR. HORTIG: Now, if you gentlemen will refer to
10 pages 72 to 75 of the supplemental calendar, we have
11 further partial assignments affecting the same leases
12 which, again, have been reviewed and are recommended --
13 with, however, a series of conditions included in the
14 recommendation due primarily to the date of receipt of
15 these applications. The requisite -- the full requisite
16 documents have not been received by the State and it is
17 felt, therefore, that the Commission's authorization
18 should be subject to receipt of these documents. Therefore,
19 again, for the items -- both items on pages 72 and 73 re-
20 lating to Lease P.R.C. 2205.1 and on pages 74 and 75 relat-
21 ing to Lease P.R.C. 2207.1, it is recommended that the
22 Commission authorize the Executive Officer to approve the
23 assignment of the partial interests in State Oil and Gas
24 Leases as designated from the designated assignors to the
25 designated assignees, subject to the following:

26 (1) Submission of evidence of qualifications by the

1 designated assignees to hold leases;

2 (2) Submission of proper bond by the joint-venture
3 assignees;

4 (3) Submission of proper evidence of authority of
5 the president of the respective companies assigning to
6 assign their interests in the designated interests;

7 and an item (4) which does not appear on your
8 agenda -- a similar submission of proper evidence of
9 authority by the assignees to accept the assignment of
10 the designated leases;

11 and, finally, subject to the joint venture assignees
12 being bound by the terms and conditions of the leases to
13 the same extent as the original lessees.

14 MR. KIRKWOOD: These conditions, in effect, would
15 put these in the same situation we approved in Items 10
16 to 19. (sic) (Pages 10 to 19)

17 MR. HORTIG: Yes sir.

18 MR. KIRKWOOD: I'd move the approval.

19 GOV. POWERS: Yes.

20 MR. MUGFORD: The recommendations are adopted.

21 MR. HORTIG: Mr. Chairman, as far as I am aware at
22 the moment, I believe the Commission has considered all
23 items on which there was to be a personal appearance this
24 morning. I wonder if you would wish to inquire whether
25 there is anyone else here desiring to make a presentation
26 to the Commission before we take up the purely routine agenda.

1 MISS WOLFF: Do you want to take up this Southern
2 Pacific matter?

3 MR. HORTIG: That's another matter, Miss Wolff,
4 that is within our own office. Page 20 -- Normal
5 routine item in the sense that there is specific statutory
6 authorization for the Commission to grant to a public
7 agency permission to use materials from State tide and
8 submerged lands on a public project. Application to use
9 excavated material has been received from the Yolo County
10 Road Commissioner, the material to be extracted from the
11 Sacramento River under a permit from the U. S. Corps of
12 Engineers insofar as navigation interests are concerned.

13 Therefore, it is recommended that the Executive
14 Officer be authorized to issue to the Yolo County Road
15 Commissioner a permit, subject to the issuance of a permit
16 approved by the Corps of Engineers, without payment of
17 royalty, the permit to limit the excavated material in
18 the maximum specified amount.

19 GOV. POWERS: That's O. K.

20 MR. MUGFORD: Approved.

21 MR. HORTIG: Page 21. Our Public Lands Officer,
22 Mr. Chairman, is on vacation hunting deer but I don't
23 believe on vacant State school land. All the land sales
24 items on the current agenda are again standard, in that
25 there is no controversy; the high bids received for the
26 sales of all of the parcels, as follow on pages 21 through

1 35, are all equal to or greater than the appraised prices
2 of the land. If the Commission desires individual explana-
3 tion, we will furnish it.

4 GOV. POWERS: Does this clear up this Ralph Dills
5 on page 22?

6 MR. HORTIG: There are two sales to Mr. Dills --
7 Page 27 and page 34. These are not in the vicinity of
8 the Colorado River. These are areas in the desert,
9 southerly of the Salton Sea -- applications entirely
10 separate, filed at other times, separate from the matter
11 that Mr. Dills has had under controversy with the Commission.

12 GOV. POWERS: Routine?

13 MR. HORTIG: That's right.

14 GOV. POWERS: Appraised to the highest bidder?

15 MR. HORTIG: That's correct.

16 GOV. POWERS: O. K.

17 MR. KIRKWOOD: This includes the one on 21, too?

18 MR. HORTIG: Yes sir. The reason the one on 21
19 isn't on the streamline is that there were a multiplicity
20 of bidders.

21 MR. KIRKWOOD: But you want that included?

22 MR. MUGFORD: That's pages 21 through 35?

23 MR. HORTIG: That's correct, Mr. Chairman.

24 MR. MUGFORD: Recommendations are approved.

25 MR. HORTIG: Page 36 -- Under the statutes when a
26 portion of leased land or a parcel of land is sold on which

1 there is an existing grazing lease, the Commission is
2 authorized to issue a certificate of restitution to refund
3 to the grazing lessee the rental which is no longer applic-
4 able to the portion of land which is removed from the
5 grazing lease by reason of the sale; and, therefore, it is
6 recommended in this instance the Commission rescind its
7 action authorizing a lease to the Flying S Ranch on
8 December 18 and authorizing the issuance of a new lease
9 for the remainder of the land, comprising 2,480 acres, for
10 the unexpired term of the surrendered lease, the annual
11 rental to be at the same rate as under the prior lease,
12 or an annual rental of \$37.20; the total rental under the
13 new lease \$113.38. Rentals prepaid and unearned under
14 the former lease, \$128.93. The application of this amount
15 to rental on the new lease leaves an overpayment of \$15.55
16 and it is recommended that the Executive Officer be author-
17 ized to refund this amount to the lessee by certificate of
18 restitution.

19 MR. MUGFORD: \$15 worth of red tape.

20 MR. HORTIG: Our statutes with respect to this
21 type of operation are current with 1858.

22 MR. KIRKWOOD: Are you going to come up with a
23 recommendation?

24 MR. HORTIG: Yes.

25 MR. MUGFORD: Approved.

26 MR. HORTIG: Page 37 -- Pursuant to Chapter 117 of

1 the Statutes of 1957, the State Lands Commission is
2 authorized to survey, monument and record a plat of
3 certain lands granted by the Legislature to the City of
4 Vallejo, at the cost of the City. An agreement for this
5 purpose is to be drawn by the City and will provide for
6 services not in excess of the cost of \$300 estimated for
7 the cost of the work by the State Lands Commission. It
8 is recommended that the Executive Officer be authorized
9 to execute this agreement.

10 MR. KIRKWOOD: All right.

11 MR. MUGFORD: All right with you?

12 GOV. POWERS: Yes.

13 MR. MUGFORD: Approved.

14 MR. HORTIG: Page 38 -- pages 38 to 45 review the
15 proposed budget for the State Lands Commission for the
16 1959-1960 fiscal year -- which, in accordance with the
17 requirements of the Department of Finance, has been divided
18 into an "A" budget (that necessary to maintain existing
19 levels of service) and a "B" section to provide for addi-
20 tional facilities or activities or operations which are
21 felt to be necessary. This budget has already received
22 the initial scrutiny of the Budgets Division of the State
23 Department of Finance and in the form presented here this
24 morning has been considered acceptable.

25 MR. MUGFORD: My operatives tell me it is a very
26 good budget.

1 MR. HORTIG: Thank you. The "B" budget, which
2 encompasses the only new features, is outlined starting
3 at the bottom of page 41, and provides for one new posi-
4 tion in the Mineral Resources Section, plus necessary
5 office equipment to consist of the nucleus of a geological
6 section of the Mineral Resources Section -- which has been
7 heretofore recommended by the consultants to the Commission,
8 who recommended a Reservoir Section, for which we have one
9 unfilled position which we propose to use as the nucleus
10 of the Reservoir Section and, therefore, to round out this
11 program would require this new position which would serve
12 as the nucleus for the geological section, both recommended
13 by the consultants.

14 MR. MUGFORD: Do you wish to discuss the budget
15 on this auditing service?

16 MR. HORTIG: Yes. I was waiting for Mr. Kirkwood's
17 comments.

18 It has been recommended and it is now a matter of
19 general agreement with all agencies -- the Budgets Division
20 of the Department of Finance, the Audits Division of the
21 Department of Finance -- that this budget shall include
22 the establishment of three additional auditing positions
23 in the State Lands Division, which, together with the re-
24 assignment of duties to existing auditing positions, will
25 result in all the current, recurring, day by day audit
26 work of the State Lands Division being performed by State

1 Lands Division personnel, with the contemplation that if
2 the work load is such that those personnel cannot handle
3 the once-a-year review and annual report required to be
4 submitted on the City of Long Beach on the disposition of
5 its funds and the proposed trust proceeds, then it would
6 be contemplated that such review would be made by service
7 contract by the Division of Audits; but all the audit work
8 relating to operations of the State Lands Commission and
9 which goes to the point of ultimate policy determinatins
10 or approvals by the State Lands Commission would be per-
11 formed independently by staff of the State Lands Division.

12 The matter of establishment of these positions and
13 assignment, reassignment, of duties to existing positions
14 would also give the Division advantage -- not only in
15 covering all the activities of Long Beach, but will also
16 give us the facility of having an internal independent
17 audit group responsible to the State Lands Commission for
18 internal auditing of current operations in the State Lands
19 Division.

20 MR. MUGFORD: Sound all right to you, Bob?

21 MR. KIRKWOOD: Yes, Ralph and I were discussing
22 this this morning and I am pleased to see it coming about.
23 Is it something that can be done this year?

24 MR. HORTIG: We hope, on indicated approval, that
25 this will go into the budget and funds will be forthcoming
26 to proceed immediately to pick up the program on a temporary

1 deficiency operations basis, accrue the personnel not
2 only to get going on it, but also to have the advantage of
3 indoctrinating while the Audits Division is working on it.

4 MR. MUGFORD: You would like to have the Commission's
5 approval?

6 MR. HORTIG: It is recommended that the Commission
7 approve the proposed "A" and "B" budgets in the total
8 amount of \$1,049,380, subject to final review and approval
9 by the Department of Finance, of course.

10 GOV. POWERS: That's 7% for operations and total
11 expenditures of 10%, is that right?

12 MR. HORTIG: That's correct.

13 MR. MUGFORD: This is primarily a work load budget.

14 MR. HORTIG: The majority of it is a work load
15 budget.

16 GOV. POWERS: That's O. K. with me.

17 MR. MUGFORD: All right. The budget is approved
18 by the Commission.

19 MR. HORTIG: Pages 55 to 63 are tabulations of the
20 transactions consummated by the Executive Officer under
21 delegation of authority and it is requested that the Com-
22 mission confirm these actions.

23 MR. MUGFORD: 55 through

24 MR. HORTIG: 63.

25 MR. MUGFORD: .. 63. Anything unusual about any
26 of them?

1 MR. HORTIG: Every one of them was routine, non-
2 controversial, standard, and in accordance with the rules
3 and regulations of the Commission, on prescribed forms.

4 MR. MUGFORD: Satisfactory?

5 MESSRS. POWERS AND KIRKWOOD: Yes.

6 MR. MUGFORD: All right. The items are confirmed.

7
8 MR. HORTIG: Supplemental item appearing on page
9 77 was prepared to bring to the attention of the Commission
10 the magnitude of the litigation that the Lands Division is
11 now involved in, in assisting and in giving technical sup-
12 port to the Attorney General's office, and the distinctions
13 being made on the importance of litigation. They are pri-
14 marily based on whether the litigation is based on millions
15 of dollars or hundreds of millions of dollars.

16 The first case referred to is the one on which Mr.
17 Goldan already this morning gave you the status report.

18 The second case, an interesting one called Whitson
19 vs. State of California, testing or contesting the consti-
20 tutionality of the Submerged Lands Act. I am very happy
21 to be able to report that based on motions by the defendant
22 State of California through the Attorney General's office
23 this case was dismissed by the court on September 29.

24 MR. GOLDEN: There were other motions, too.

25 MR. HORTIG: You are too modest.

26 MR. GOLDEN: I'd enjoy it if it were my case.

3
1 MR. HORTIG: The third case is the unique one where
2 we are not on the same side as the City of Long Beach --
3 do not read a quitclaim to the State of California by the
4 City of Long Beach the same way, so complaint for declara-
5 tory relief and to quiet title was filed by the office of
6 the Attorney General and the case is now at issue, had a
7 pretrial conference, and is set for December 18th of this
8 year.

9 And, finally, in the case of County of Orange vs.
10 the State of California, in which the county named the
11 State in a declaratory relief action to construe or mis-
12 construe a 1919 grant. We are in the long period of
13 questions and answers, wherein the attorneys for the Orange
14 County have filed a series of interrogatories requesting
15 that the State reply thereto. Reply was made and now
16 there has been a re-request that the State reply more
17 specifically and, as noted, plaintiffs have asked for
18 hearing on this last motion on October 17th and we have
19 requested an extension of time on this hearing to October
20 20th.

21 In very simple summary, the interrogatories said:
22 "Please send us a list of every document that you have in
23 the files of the State Lands Division relating in any
24 manner, shape or form to any oil and gas operations in
25 Orange County starting with the beginning of the operation
26 of the State Lands Division."

1 MR. MUGFORD: That's quite an order.

2 MR. HORTIG: Your comment on that was a little
3 more polite than my initial reaction. And now, last but
4 not least, gentlemen, not least from the standpoint of com-
5 plexity -- supplemental calendar pages 64 through 71.

6 I shall summarize briefly and then for details we
7 can produce the maps to the extent that you gentlemen are
8 interested; and to the extent of the legal complications,
9 we are fortunate in having here this morning Deputy Attor-
10 ney General Wolff, who has the unique situation with
11 respect to this problem of having participated both as
12 attorney for the State Lands Commission and very actively
13 as attorney for the Port of San Francisco, the agencies
14 primarily involved in this action which has been pending
15 for a long time -- as you can see, in that the original
16 Lands Commission authorization dates back to July 6, 1950,
17 whereunder execution of an agreement was authorized with
18 the Southern Pacific Company relating to certain parcels
19 under title dispute and the consideration for entering
20 into the agreement was that the Southern Pacific Company
21 paid the State \$3,000 to be used as advance rental if
22 final adjudication should be that the State has an interest
23 in the areas, or to be retained by the State in case no
24 State interest was found.

25 The action was initiated, the negotiations have
26 been conducted with Southern Pacific toward settlement of

1 the litigation -- particularly because it appears at least
2 doubtful whether the State Lands Commission has any admini-
3 strative jurisdiction over the specific areas involved.

4 If the State Lands Commission does not, the San
5 Francisco Port Authority does, and the Southern Pacific
6 and San Francisco Port Authority for the benefit of the
7 State have developed a program whereby the lands on which
8 title is very clouded would be traded to the Southern
9 Pacific Railroad Company in return for other parcels of
10 land with clear title and high appraised values -- all in
11 settlement of this litigation; under which circumstances
12 it was felt appropriate to recommend to the Commission
13 that the Commission authorize a settlement, as now proposed
14 and recommended by the Attorney General's office, of the
15 case which was originally initiated to quiet title, to
16 authorize this settlement as to any interest the State
17 may have in the State lands involved that may be under
18 the Commission's jurisdiction subject to the conditions
19 that the Commission recognize that the property herein
20 concerned appears to be under the jurisdiction of the San
21 Francisco Port Authority; (2) that the responsibility for
22 protecting the State's interests and the authority to
23 carry out this transaction is vested in the Attorney General
24 and the San Francisco Port Authority; and (3) that there
25 be transferred from the State Lands Commission to the San
26 Francisco Port Authority for administration and final

1 disposition an original conditional lease which was
2 entered into between the State Lands Commission and the
3 Southern Pacific Railroad involving these same lands over
4 which the Commission has doubtful authority.

5 Now, for specific information or any questions as
6 to the legal factors involved, as I said earlier, Deputy
7 Attorney General Wolff is here.

8 MR. MUGFORD: Do you have any questions?

9 MR. KIRKWOOD: Well, is this the only recommendation
10 that we need to follow? Somewhere in here -- I have for-
11 gotten where I saw it -- it talked of "... before the suit
12 is amended to include additional areas and the filing of
13 stipulations to conclude the matter." Is that something
14 we will have to act on again later or is this all the
15 action we need to take?

16 MISS WOLFF: As I understand the way the settlement
17 is drawn up, if you wish to relieve this question of doubt
18 as to the agency vested with jurisdiction by transfer to
19 the Port, then, of course, you would not have to do any-
20 thing further. The Port Authority has, in the statutes,
21 a specifically described line of jurisdiction. In addition
22 to that, though, there is a statute which says that the
23 Port Authority is granted all adjoining land which is held
24 by the State.

25 Our office has never been in a position to determine
26 what that statute means because the two agencies have

1 always cooperated by pooling their mutual problems under
2 some kind of agreement to share costs and benefits or
3 something of that nature, so we have never actually faced
4 the problem. The same thing occurred here. The Port
5 has never made any claim to the streets which may be in
6 the State by reason of the Beach and Water Lot sales.
7 They are not included within the specifically described
8 area. But when we started to discuss the settlement, the
9 Port did have adjoining that property which you now have
10 under this tentative lease -- it did have property clearly
11 within its jurisdiction and on which there was a serious
12 dispute with the Southern Pacific. So it was assumed
13 that we might be able to clear up the conflict in interest
14 between the Southern Pacific and the State of California
15 in this area once and for all and if so, Colonel Putnam
16 (I presume with consultation of the then Lands Commission)
17 felt that the actual negotiations looking to settlement
18 should be conducted by the Port Authority, whose land had
19 a clear ascertainable value and whose interest was very
20 definite and specific.

21 Therefore, the negotiations up to this point have
22 been conducted by the Port Authority. The Port Authority,
23 however, has no desire to usurp any prerogatives of the
24 State Lands Commission, so before concluding that settle-
25 ment and since there is this doubtful jurisdiction on the
26 lands under lease -- and so far as the Port Authority is

1 concerned, except for this settlement they would be just
 2 as happy to have the Lands Commission have these lands,
 3 which are probably a liability to the State by reason of
 4 the cloud on the title -- this proposed settlement, which
 5 has already been approved by the San Francisco Port
 6 Authority as far as it is concerned, is now referred to
 7 you.

8 If you are satisfied with it, then I would say that
 9 the simplest way to dispose of the problem probably would
 10 be to transfer, to make clear the transfer, of those lands
 11 in which you have this conflict of jurisdiction, or this
 12 question of jurisdiction, to the Port Authority. Then
 13 you would have one State agency vested with the full
 14 responsibility.

15 MR. KIRKWOOD: That's all right with me.

16 MR. MUGFORD: Satisfactory to you?

17 GOV. POWERS: Port Authority carries it rather
 18 than us?

19 MISS WOLFF: Yes.

20 MR. HORTIG: The Port Authority has use for the
 21 lots. All we have is potential litigation.

22 GOV. POWERS: That's all right.

23 MR. MUGFORD: The recommendations as outlined on
 24 page 68, then, are adopted. Does that finish the calendar?

25 MRS. STAHL: Do you want to talk about another meeting?

26 GOV. POWERS: We have plenty of time. Fix it any
 time you want.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing forty-two pages contain a full, true and correct transcript of the shorthand notes taken by me at the meeting of the STATE LANDS COMMISSION held in Sacramento, California on October 14, 1958.

Dated Sacramento, California October 15, 1958.

Louise H. Lillico