

1 MR. KIRKWOOD: Does that toll the statute?

2 MR. FRIEDMAN: No, and we are faced with statute
3 of limitation problems and I think it is the feeling of the
4 men in charge of the case that in order to avoid any ques-
5 tions of statute of limitations they will have to have a
6 suit on file perhaps by the end of January.

7 MR. KIRKWOOD: That is a matter of unfinished busi-
8 ness that I think should be brought to the attention of the
9 incoming Commission so that they are aware of what has been
10 done and the reasons for the action up to date.

11 MR. FRIEDMAN: I think it would certainly be advis-
12 able that the men in charge of the case be given an oppor-
13 tunity to sit down and explain that particular problem to
14 the incoming members of the Commission.

15 MR. HUFFORD: Who is handling that in the Attorney
16 General's office, Leonard?

17 MR. GOLBIN: Mr. Shavelson and Mr. Kaufmann.

18 MR. HUFFORD: Any other questions, gentlemen?

19 (No response)

20 MR. HUFFORD: Pages 30 to 32 present a summary report
21 of several suggestions on legislation which it is felt
22 desirable that the Commission authorize for introduction at
23 the forthcoming session of the Legislature. These recommen-
24 dations are solely with respect to repealing or clarifying
25 obsolete operating provisions of the statutes. They have
26 been screened to eliminate any proposals as to policy

1 modifications -- either legislative policy fundamental
 2 or Commission policy; but over the years and predominantly,
 3 as you gentlemen will see from this tabulation, there are
 4 still provisions in the statutes relating to partial pay-
 5 ment plans for the purchase of vacant State school lands
 6 on which there has been legislative moratoria over the
 7 years. The last one was terminated in 1943 but at that
 8 time it was recommended that the statutes not be modified
 9 so that a sufficient period of time was allowed so that
 10 no vested rights could in any way be influenced. Fifteen
 11 years after the last moratorium - which, again, extended
 12 over possibly 30 years -- it is felt that the obsolete
 13 nature of the statutes is clearly indicated today and still
 14 they represent administrative difficulties in the operation
 15 of the State Lands Division because some prospective appli-
 16 cant is always reading the statute and attempting to make
 17 an application in accordance with the statutes.

18 Similarly, there were two -- Chapter 4 and 4.1 of
 19 Division 6, which related to the recession lands of Owens
 20 Lake, now a dry lake -- leasing for mineral extraction --
 21 and the leases were issued according to the earlier statute.
 22 Subsequently, new legislative provisions for leases were
 23 enacted in 1941 and it was provided that the prior chapter
 24 no longer be effective after 1941. The last lease has
 25 since expired. There is no longer any area in which the
 26 statute can apply and operations are covered by existing

1 statutes. So, again, it is recommended that the obsolete
2 portions be repealed.

3 MR. KIRKWOOD: Mr. Chairman, I move that the
4 recommendation of the staff be approved and these changes
5 be prepared, having in mind that departmental bills pre-
6 sumably have to be moved fast, even with the new setup in
7 the Legislature; so I think the thing would be to get
8 these in order and in, and then the new Commission can
9 review with the staff and if they don't want to support
10 them they could move later on, but I would recommend we
11 approve this now.

12 MR. MORRIS: Certainly the staff would be happy to
13 proceed on the firm statement that anything can be with-
14 drawn and would be withdrawn from committee and would not
15 be pressed until after confirmation of the new Commission.

16 MR. MUGFORD: Your recommendation, then, in line
17 with Mr. Kirkwood's motion -- the drafts would be prepared,
18 you would get a member to introduce the bills, and then
19 when they were in before final confirmation the new Com-
20 missioners would have an opportunity to review them and
21 you would still have an opportunity to correct or change
22 any provision which didn't meet with the approval of the
23 new Commission.

24 MR. LEVIT: Mr. Chairman, may I ask a question?
25 Do you have a written opinion from the Attorney General
26 in the nature that they are all obsolete and routine things?

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MR. HORTIG: No sir.

MR. LEVIT: Would it be possible to obtain one for the new Commission?

MR. HORTIG: Yes, we will make that request.

MR. MUGFORD: Who does the drafting for you?

MR. HORTIG: Legislative counsel. Our own staff makes the format and then the drafts are "expedited" by the legislative counsel's office.

MR. LEVIT: I am not speaking of the drafting ...

MR. HORTIG: I appreciate that. We will have an opinion, an informal opinion from the Attorney General's office.

GOV. POWERS: That's O. K.

MR. MUGFORD: Then the recommendation is adopted, with the understanding this opinion will be obtained and all these recommendations will be in final draft for review by the members of the new Commission. Unanimous action on this. Next?

MR. HORTIG: Under 1957 amendments to the Public Resources Code, the initiation of cooperative agreements for oil development on granted tide and submerged lands by any municipal grantee is subject to approval by the State Lands Commission, with the required conditions for approval specified in Section 6879 of the Public Resources Code. A proposed form of cooperative agreement providing for water injection in the Wilmington Oil Field, as presented

1 by the Board of Harbor Commissioners of the City of Long
2 Beach, has been reviewed by the staff as to engineering
3 feasibility and on that basis is recommended. Addition-
4 ally, the form proposed has been reviewed and found to
5 contain the required minimum conditions required for
6 approval by the Commission under the Public Resources Code
7 and, therefore, it is recommended that the Commission find
8 that the entering into and performance of the agreement
9 under the water flooding program known as "Cooperative
10 Agreement, Fault Block VI" between the City of Long Beach
11 Board of Harbor Commissioners, Richfield Oil Corporation
12 and Producing Properties, Incorporated, is in the public
13 interest and that, as required by Section 6879 of the
14 Public Resources Code, such cooperative agreement provides
15 that any impairment of the public trust for commerce,
16 navigation or fisheries to which the granted lands are
17 subject is prohibited and it provides for its submission
18 to the State Lands Commission for approval. The Commission
19 approval is to be subject to (1) receipt of resolution from
20 the City of Long Beach that the agreement is in the inter-
21 est of increasing ultimate recovery of oil and gas or
22 protection from unreasonable waste, or that the subsidence
23 and sinking of such lands and abutting lands may possibly
24 be arrested or ameliorated thereby; and (2) in amplifica-
25 tion of the written recommendation that you gentlemen have
26 before you, approval of the form of the cooperative agreement

1 by the Attorney General as to compliance with the Public
2 Resources Code.

3 MR. MUGFORD: This would still be subject to the
4 approval of the State Oil and Gas Supervisor?

5 MR. HORTIG: The initiation of the operation --
6 even though this is approved by the Commission, the initia-
7 tion of the operation is still subject to approval of the
8 Oil and Gas Supervisor.

9 MR. MUGFORD: But this kind of action is in accord-
10 ance with the stated objective or one of the stated objec-
11 tives of this Federal litigation.

12 MR. HORTIG: The solution of this litigation ..
13 and this is required by statute if the operation is to
14 be placed in effect at all -- this is the first step in a
15 series of State approvals.

16 MR. KIRKWOOD: I'd move it.

17 GOV. POWERS: Yes.

18 MR. KIRKWOOD: There is agreement between the
19 Attorney General and the Long Beach representatives as to
20 the language of this?

21 MR. GOLDIN: The Attorney General's office has not
22 had an opportunity to review this.

23 MR. KIRKWOOD: But this last proviso, if it is
24 recommended, would take care of that.

25 MR. GOLDIN: When Mr. Hortig mentioned the form of
26 the cooperative agreement, he meant also that the Attorney

1 General's office was also to scrutinize it as to legal
2 sufficiency, is that it?

3 MR. HORTIG: That is the purpose of the condition.

4 MR. KIRKWOOD: City of Long Beach is in agreement?

5 (Mr. Hortig nodded)

6 MR. HUGFORD: The recommendation is unanimously
7 adopted, with that added proviso which the minutes will
8 so show.

9 MR. HORTIG: Page 34: In continuation of the
10 proposed types of operations to which you referred, Mr.
11 Hugford -- alleviation or amelioration of subsidence, or
12 water injection -- an integral part of that operation which
13 has been proposed by the City of Long Beach has been the
14 erection of a municipal water and distribution system for
15 the sale of water to all operators who need water for in-
16 jection into the oil fields. In order to evaluate the
17 economic feasibility of this operation, the City of Long
18 Beach has requested approval, under Chapter 29, from the
19 Commission of an expenditure not to exceed \$100,000 for
20 engineering a portion of this system to the extent neces-
21 sary to determine its economic feasibility; and, inciden-
22 tally, it is proposed that these funds would be expended
23 from the City's portion of the tideland revenues. There
24 would be no cost share on the part of the State, but the
25 State Lands Commission's approval is still necessary and
26 required under Chapter 29. An opinion has been requested

1 from the office of the Attorney General as to whether the
2 City of Long Beach may engineer, finance and install a
3 water injection system and, if so, whether the proposed
4 \$100,000 for engineering study may be authorized under the
5 provisions of Chapter 29. And, therefore, it is recom-
6 mended that the Commission approve the costs not to exceed
7 \$100,000 to be expended by the City of Long Beach for an
8 engineering study of a field-wide water injection system,
9 subject to determination by the office of the Attorney
10 General as to whether the expenditure may be authorized
11 pursuant to Chapter 29, 1st Extraordinary Session, Statutes
12 of 1956.

13 MR. HUGHFORD: Do you think this is the better pro-
14 cedure, to ask the Commission to act subject to the
15 Attorney General's findings on the statutes, rather than
16 get the opinion ahead of time?

17 MR. NORRIS: No sir, I do not, but the City of
18 Long Beach has a problem and actually we received the
19 specific written proposal with respect to this matter last
20 Friday afternoon, so it was just physically impossible to
21 get an Attorney General's office opinion between last Fri-
22 day and today. It would be unreasonable to even request
23 it. But the City does have sufficient confidence that
24 this project will be qualified and have other commitments
25 for preliminary operations in preparation of sites and so
26 forth that should be under way if this project is to be

1 carried on expeditiously after it is approved. They at
2 least need the solace of this conditional approval in
3 order to permit reasonable initiation of these preliminary
4 operations. This is the only reason this item has been
5 presented in this manner rather than coming to you with a
6 sound and fully recommended basis for approval. We are,
7 however, in the situation of who shall go first.

8 MR. HUGFORD: I appreciate that. Any other
9 questions?

10 MR. KIRKWOOD: No. I think under the circumstances
11 we are justified.

12 MR. HUGFORD: You move the adoption?

13 MR. KIRKWOOD: M-m-mhm.

14 GOV. POWERS: M-m-mhm.

15 MR. HUGFORD: The recommendation is adopted.

16 MR. MORRIS: The Commission will recall that pre-
17 viously contract amendments to the Long Beach Oil Develop-
18 ment contract with the City of Long Beach, under which the
19 contractor develops oil for the City of Long Beach from
20 the granted tide and submerged lands, were authorized in
21 the earlier stages when water repressuring was considered,
22 to provide for a water flooding project which would permit
23 the injection of 100,000 barrels per day of water, with
24 capital investments to provide the equipment to permit
25 this operation not to exceed four million dollars -- sub-
26 ject to review and approval by the Commission of any

1 proposed expenditures in excess of that amount.

2 Due to the accumulation of engineering reviews
3 that have been going on cooperatively and, additionally,
4 that have been hastened by the filing of the U. S. vs.
5 Anchor action, there are numerous studies indicating in
6 general the necessity for ultimately possibly injecting
7 one million barrels a day of water field-wide; and in
8 that direction and as a proper contribution and operation
9 on the tidelands portion of the field under this Long Beach
10 contract, the Long Beach Board of Harbor Commissions, under
11 Chapter 29, have authorized the addition to the contract
12 to provide for additional operations to cost not to exceed
13 a ceiling of four million dollars additional to that four
14 million ceiling previously approved by the State Lands
15 Commission -- which will provide for an extended water
16 injection program of 400,000 barrels per day total in
17 lieu of the 150,000 barrels previously approved.

18 As contract amendments under Chapter 29 must be
19 approved by the State Lands Commission, therefore it is
20 recommended that the Commission approve the modified
21 amendatory contracts of the Long Beach Oil Development Co.
22 to provide for an extended water flood program of 400,000
23 barrels per day total, subject to the following conditions:

24 (1) A four million dollar limitation of capital
25 cost expenditure which may be made under this project in
26 addition to capital expenditures approved previously; and

1 review of the form of contract amendment by the office of
2 the Attorney General as to qualification under Chapter 29,
3 Statutes of 1956, 1st S.S. pursuant to which the Commission
4 may consider approval.

5 MR. KIRKWOOD: What do you mean by four million?
6 Four million in addition to \$2,550,000?

7 MR. MONTIG: The intent was four million in addi-
8 tion to the four million previously approved. Of the four
9 million previously approved, to date \$2,550,000 has been
10 expended but there will be additional expenditures within
11 that ceiling. In other words, the aggregate result of
12 this item would be a total of eight million capital expendi-
13 ture approved.

14 MR. HUGHFORD: What does the work consist of?

15 MR. MONTIG: Drilling of water source wells, con-
16 pression and water distribution systems, injection on the
17 part of the City's contractor, Long Beach Oil Development,
18 to put the water in the ground where it is hoped it will
19 ameliorate subsidence.

20 MR. KIRKWOOD: What do you mean by (2) .. ".....
21 pursuant to which the Commission may consider the proposed
22 amendment for approval."?

23 MR. MONTIG: Possibly, sir, the intent there was
24 that under Chapter 29, Statutes of 1956, the Commission
25 may consider the proposed amendment for approval and under
26 these conditions determination is desired by the Attorney

1 General that pursuant to those provisions of Chapter 2)
2 the form of contract amendment proposed is satisfactory
3 for approval by the Commission if the Commission so desires.
4 If I might suggest ... I think the purpose would be served
5 by putting a period after "1st E.S."

6 MR. MUGFORD: What you intended to do -- you
7 intended to describe the provision of the statute to which
8 you are referring:

9 MR. HORTIG: Obviously I didn't make it.

10 MR. KIRKWOOD: Again this is satisfactory to both
11 the Attorney General's office and to the City?

12 (Mr. Hortig nodded)

13 MR. MUGFORD: Is that O. K. with you, Governor?

14 GOV. POWERS: Yes.

15 MR. MUGFORD: The recommendation is unanimously
16 adopted.

17 MR. HORTIG: Pages 37 to 39: We are finally again
18 to the happy point of closing out two projects previously
19 approved by the State Lands Commission, whereunder the City
20 of Long Beach conducted subsidence remedial operations.
21 Construction phases of the projects have been completed;
22 final engineering review and final audit of the work and
23 the costs actually incurred have been completed; and it
24 has been determined, as shown on page 39, that there are
25 additional moneys due the State which were not expended by
26 the City of Long Beach for any proper proportion of

1 participation by the State in subsidence alleviation; and
 2 with the closing of these projects remittances will be
 3 made by the City of Long Beach in the amounts specified --
 4 \$1,011.26 and \$14,944.72. It is recommended that the Com-
 5 mission approve the final determinations.....

6 GOV. POWERS: I move the approval.

7 MR. HORTIG: ... of subsidence costs in the specified
 8 projects.

9 MR. HUGHFORD: Satisfactory?

10 MR. KIRKWOOD: M-m-mim.

11 MR. HUGHFORD: The recommendation is adopted. I
 12 just can't help but wonder why is it necessary for the
 13 Commission to take action? Wouldn't the original action
 14 of the Commission

15 MR. HORTIG: No sir. The original action, the
 16 standard form (as you will see, for example, in the next
 17 item appearing on page 40) -- these are all conditional
 18 advance approvals, with the amounts ultimately to be
 19 allowed to be determined by the Commission upon a final
 20 engineering review and audit; and this is the final deter-
 21 mination of the Commission that's in the original approval.

22 MR. HUGHFORD: O. K.

23 MR. HORTIG: Page 40: The Commission has previously
 24 approved costs to be expended by the City of Long Beach
 25 Harbor Department, including subsidence remedial work for
 26 a project which was designated as the Pier A Area Project.

1 Subsequent to the June 11, 1958 approval it has developed
2 that additional unforeseen costs will be incurred arising
3 from the construction of a pump station and drain system,
4 and for reconstruction and remedial work on dikes. This
5 project has received initial staff review and is considered
6 to include some subsidence costs as defined in Chapter 29
7 but not necessarily all the costs estimated.

8 Therefore, it is recommended that the Commission
9 approve such costs proposed to be expended by the City of
10 Long Beach including subsidence remedial work as indicated
11 on Exhibit A attached for the period December 11, 1958 to
12 June 30, 1959; subject to the conditions, however
13 and here I might interpolate these have been the standard
14 conditions of the Commission for approval of these projects...
15 that amounts ultimately to be deducted as subsidence costs
16 under Section 5(a) of Chapter 29 will be determined by an
17 engineering review and final audit subsequent to the time
18 the work on these items is completed.

19 It is also subject that the work conform to the
20 essential details of the plans submitted to the Commission,
21 and that the Executive Officer, the Assistant Executive
22 Officer or the Mineral Resources Engineer be authorized to
23 execute appropriate written instruments reflecting the
24 Commission's conditional approval.

25 MR. KIRKWOOD: Are the same things true of all these
26 items from this to page 49 -- all similar and all routine?

1 MR. HORTIG: I think so... (checking) Yes sir,
2 they are. They all relate to

3 MR. KIRKWOOD: I move the approval.....

4 MR. HORTIG: partial approval of subsidence
5 items.

6 MR. KIRKWOOD: ... of the items to page 49 or 48.
7 The recommendation is contained on page 48, although there
8 is material on page 49.

9 MR. HUGHFORD: Is that satisfactory?

10 GOV. POWERS: Yes, that's satisfactory to me.

11 MR. HUGHFORD: They are all subject to the same
12 standard conditions.

13 MR. HORTIG: Yes sir.

14 MR. HUGHFORD: The action, then, is the approval of
15 the recommendations contained in pages 40 to 49. Any
16 questions? (No response) So ordered.

17 MR. HORTIG: Pages 50 to 70 are the tabulations of
18 transactions consummated by the Executive Officer under
19 delegation of authority from the State Lands Commission.
20 This tabulation represents the accumulation of standard
21 permits, leases, easements, rights of way and similar
22 authorizations which have been issued in accordance with
23 the prescribed forms and the policy of the Commission.
24 It is recommended that the Commission confirm the actions
25 of the Executive Officer as reported.

26 MR. KIRKWOOD: Move the recommendation on page 70.

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GOV. POWERS: M-m-mim.

MR. HUGFORD: The recommendation is unanimously adopted. Is there any further business to come before this meeting of the Commission?

MR. HORTIG: Not from the staff, Mr. Chairman, at this time.

MR. HUGFORD: Anything, Mr. Kirswood?

MR. KIRSWOOD: No sir.

MR. HUGFORD: Governor Powers?

GOV. POWERS: No, I havon't anything.

MR. HUGFORD: The meeting of the Commission will then be adjourned.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing thirty-seven pages contain a full, true and correct transcript of the shorthand notes taken by me at the meeting of the State Lands Commission at Sacramento, California, on December 11, 1958.

Dated: Sacramento, California, December 12, 1958.

/s/ Louise H. Lillico