

TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA
JULY 30, 1959 -- 9:00 A. M.

PARTICIPANTS:

THE COMMISSION:

Messrs. Glenn M. Anderson, Acting Governor, Chairman
Alan Cranston, Controller

(Mr. Bert Levit, Director of Finance, absent)

F. J. Hortig, Executive Officer

Fred Zweiback, Executive Secretary to
Gov. Anderson

OFFICE OF THE ATTORNEY GENERAL:

Mr. Dan Kaufmann, Assistant Attorney General

GUEST:

Mr. John E. Carr, Director of Finance-Appointee

APPEARANCES:

Mr. Harold Lingle, Deputy City Attorney for
the City of Long Beach

Reporter: Louise H. Lillieo
Division of Administrative Procedure

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

I N D E X
(In accordance with Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>CALENDAR ITEM NUMBER</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
1. Confirmation of minutes meetings 6/25 and 7/13/59			1
2. <u>Special Order of Business</u> Long Beach tide and submerg lands boundary determination	53	1	1
3. <u>Permits, easements, rights- of-way, no fee:</u>			
(a) Dept. Fish & Game	11	2	4
(b) Freedom County Sanit. Dis.	3	3	4
(c) Half Moon Bay " "	4	4	4
(d) Division of Highways	28	5	5
(e) " " "	29	6	5
(f) " " "	37	7	5
(g) " " "	38	8	5
(h) Chandler Lloyd, Trustee	40	9	5
(i) Dept. Water & Power, L.A.	17	10	5
(j) Merced County Road Dept.	20	13	5
(k) Pacific Tel. & Tel. Co.	27	14	5
(l) Stockton, City of	10	15	7
(m) Stockton, City of	16	16	7
MOTION APPROVING ITEM 3			7
4. <u>Permits, easements, leases, rights-of-way -- fee</u>			
(a) Argus Development Company	21	17	7
(b) Combs, Eldredge E., et al	15	8	7

- continued -

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

I N D E X

(In accordance with Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>CALENDAR PAGE OF</u>	<u>PAGE OF</u>
	<u>ITEM NO.</u>	<u>CALENDAR TRANSCRIPT</u>

4. Permits, easements, leases,
rights-of-way -- fee (contd)

(c) Elrod and Elsbree	12	19	9
(d) Filipelli, Ed	7	21	9
(e) Knight, Edith C.	6	22	9
(f) Lloyd, Chandler	18	23	9
(g) Myco Mining Company	35	24	9
(h) " " "	36	26	9
(i) Site Six Resort Corp.	42	28	9
(j) Standard Oil Co. of Calif. & Humble Oil	26	29	9
(k) Standard Oil Company	51	31	9
(l) Standard Oil Company, Western Operations, Inc.	55	33	9
(m) Tidewater Oil Company	5	35	15
(n) Tine Oil Company	30	36	15

MOTION ON ITEM 4 15

5. Sales of Vacant School Land

(a) Allen, Robert J.	39	37	15
(b) Cooknell, Reginald T.	1	38	16
(c) Dekker, Maria	8	39	
(d) Highways, Divn of Dept. Public Works	44	40	
(e) Hood, Paul E.	56	42	
(f) Jayne, Allen	9	43	

- continued -

I N D E X
(In accordance with Calendar Summary)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

<u>ITEM CLASSIFICATION</u>	<u>CALENDAR</u>	<u>PAGE OF</u> <u>ITEM NO.</u>	<u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>
5. <u>Sales of Vacant School Land</u> (cont'd)				
(g) Palmerest Development Co.	23		44	}
(h) Stowell, Frederick R.	24		45	
(i) Rudd and Kynder	13		46	
(j) Shaw, Stanford C.	4		47	
(k) Stowell, Frederick R.	14		49	
(l) Stowell, Frederick R.	48		50	
MOTION ON ITEM 5. -----				16
6. <u>City of Long Beach Projects</u>				
(a) Water Injection System Fault Blocks IV and V	31		51	17
(b) Parking Lot	43		52	18
(c) Water-flooding program (release agreement)	49		53	21
(d) Spreckels Area	45		55	22
(e) Town Lot	46		57	23
(f) Back area Piers A-D	47		59	24
(g) Pier A	47		59	24
(h) Roads and Streets	47		59	24
(i) Channel 2	47		59	24
(j) Subsidence Studies	47		59	24
MOTION ON ITEM 6				24
7. <u>City of Belvedere's Annexation</u> <u>Waiver of Statutory Notice</u>	25		65	24

- continued -

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

I N D E X

(in accordance with Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>CALENDAR</u>	<u>PAGE OF</u>	<u>PAGE OF</u>
	<u>ITEM NO.</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
8. <u>Housing Authority City and County San Francisco</u> <u>Exchange agreement</u>	32	66	25
9. <u>Withdrawal from sale of vacant swamp and overflowed land - San Bernardino County</u>	50	68	27
10. <u>Rental Rates and Policies</u>	52	69	27
11. <u>Authorization initiation of procedure to amend rules and regulations</u>	54	70	28
12. <u>Correcti</u> <u>Route Item 31</u>	57	73	28
13. <u>Salary-Executive Officer</u>	19	74	29
14. <u>Status of Major Litigation</u>	41	75	29
<u>Status of Legislation</u>	58	76	30

INDEX BY ITEM NUMBER

CALENDAR ITEM	PAGE OF CALENDAR	PAGE OF TRANSCRIPT	CALENDAR ITEM	PAGE OF CALENDAR	PAGE OF TRANSCRIPT
1	38	16	30	36	15
2	4	4	31	51	17
3	3	4	32	66	26
4	47	16	33 (No item)	" "	
5	35	15	34		
6	22	9	35	24	9
7	21	9	36	26	9
8	39	16	37	7	5
9	43	16	38	8	5
10	15	7	39	37	15
11	2	4	40	9	5
12	19	9	41	75	29
13	46	16	42	28	9
14	49	16	43	52	18
15	18	7	44	40	16
16	16	7	45	53	22
17	10	5	46	57	23
18	23	9	47	59	24
19	74	29	48	50	16
20	13	5	49	53	21
21	17	7	50	68	27
22 (No item)			51	31	9
23	44	16	52	69	27
24	45	16	53	1	1
25	65	24	54	70	28
26	29	9	55	33	9
27	14	5	56	42	16
28	5	5	57	73	28
29	6	5	58	76	30

1 The meeting was called to order and Mr. Cranston
2 moved that Lieutenant Governor Anderson (Acting Governor)
3 serve as Acting Chairman.

4 GOV. ANDERSON: The first item on the agenda, then, is
5 confirmation of the minutes of the meeting of June 25th.

6 MR. HORTIG: May I, Mr. Chairman, add that it would be
7 in order for the Commission also to consider at this time
8 confirmation of the minutes of July 13th, at which time the
9 Commission approved the two cooperative water flooding agree-
10 ments for the City of Long Beach in the short meeting held
11 in Sacramento on July 13th.

12 MR. CRANSTON: I move that both sets of minutes be
13 approved as submitted.

14 GOV. ANDERSON: If there is no objection, approved as
15 submitted.

16 The next item is the special order of business -- Long
17 Beach tide and submerged lands boundary determination. Reports
18 to be given by representatives of the City of Long Beach, the
19 Attorney General's office, and the staff of the Commission.

20 MR. HORTIG: By way of introduction, if the Chairman
21 please, I believe the reports can best follow chronologically
22 and keep the information in proper sequence for the Commission
23 if the Commission will first hear the report on status from
24 Assistant Attorney General Dan Kaufmann.

25 MR. KAUFMANN: I can report to the Commission that the
26 representatives of the City and of the State are still

1 consulting and that following the last meeting, that would be
2 the June meeting of the Commission, we worked out with the
3 City Attorney of Long Beach an agreement which we believe will
4 adequately protect the rights of the State due to the time
5 lapse because of these negotiations. The agreement has been
6 considered by our office and the Attorney's office in the
7 City and, as I say, we are satisfied with it.

8 Now, it is my understanding that the City Council could
9 not act this quickly on the precise language that we have used
10 but that the matter was to have been presented to them on
11 Tuesday to see if they concurred at least generally with the
12 ideas presented by this agreement. I don't know if the rep-
13 resentative

14 MR. LINGLE: I can speak.

15 MR. KAUFMANN: I think a representative of the City
16 Attorney's office can speak about that. We feel this agree-
17 ment will adequately protect the rights of the State for the
18 time being. It does not cover both the items considered in
19 the June meeting. Point 2, as to the matter of impounding funds,
20 we consider should be put over for a future meeting.

21 MR. CRANSTON: Point 1 is fully covered?

22 MR. KAUFMANN: Point 1 is fully covered and we have
23 adequately covered the rights of the State at this time.

24 MR. LINGLE: I am Harold Lingle, Deputy Attorney of the
25 City of Long Beach. Although I was not present at the Council
26 meetings, I can report that our Council held two meetings on

1 Wednesday, voted to accept a waiver -- voted to accept in
2 principle a waiver such as described by Mr. Kaufmann. They
3 did not consider any specific language, but in principle that
4 waiver is acceptable to our City Council.

5 MR. KAUFMANN: The next step will be for them to get
6 the approval of the City Council to specific language such as
7 we now have an agreement on with the City Attorney's office.

8 MR. CRANSTON: Is it your recommendation that we con-
9 tinue the matter to give you time to consider this?

10 MR. KAUFMANN: I believe that is advisable since the
11 agreement has not been implemented.

12 MR. CRANSTON: I so move -- that we take it up at the
13 next meeting.

14 MR. HORTIG: If it is satisfactory, may I add to that
15 the suggestion that the Commission at this time convey to the
16 Executive Officer authority to execute the proposed stipula-
17 tion which will insure the State's rights during the negotia-
18 tion period, as outlined by Mr. Kaufmann.

19 MR. CRANSTON: I would include that understanding in
20 my motion.

21 GOV. ANDERSON: If there is no objection, then, it is
22 so ordered. That completes, then, Item 2 -- the special order
23 of business.

24

25

26

1 GOV. ANDERSON: Item 3 is the permits, easements and
2 rights-of-way to be granted to public and other agencies at no
3 fee, pursuant to statute. Now, we will just read the title
4 and if there is no question go on -- is that the normal
5 procedure?

6 MR. HORTIG: Yes sir.

7 GOV. ANDERSON: Item (a) - Fish and Game -- 49-year
8 permit, Tehama County; Item (b) Freedom County Sanitation
9 District -- 49-year easement for two sewer outfalls in
10 Monterey Bay.

11 Now, I had a question on that, I believe. What pro-
12 tection is there against pollution of the beaches on this type
13 of thing?

14 MR. HORTIG: Number one, the Public Resources Code,
15 pursuant to which such easements are issued by the State Lands
16 Commission, prohibits pollution. Number two, both the U. S.
17 Public Health Service and State Department of Public Health
18 are involved in the construction, operation and maintenance
19 of these projects and, of course, enforce both State and
20 Federal anti-pollution statutes.

21 GOV. ANDERSON: That same explanation, then, would
22 cover the next one -- Half Moon Bay Sanitation District?

23 MR. HORTIG: Exactly, and the two on the next page
24 relating to sewer easements for the City of Stockton, Items
25 (l) and (m) in the tabulation.

26 GOV. ANDERSON: The next would be Item (d) -- the

1 Division of Highways right-of-way across lands of East Canal,
2 Marin County; Item (e) is Division of Highways right-of-way
3 across the lands of the Brickyard Canal in Marin County; Item
4 (f) is Division of Highways right-of-way across lands of Oyster
5 Canal in Marin County; item (g) is Division of Highways right-
6 of-way across the lands of Middle Canal, all Richardson Bay.

7 MR. HORTIS: At that point, may I bring to the attention
8 of the Commission that the four items for Division of Highways
9 are patently all one highway project. They will require ease-
10 ments over tide and submerged lands in which currently title
11 is in the State of California, but as of September 17th will
12 be in the County of Marin by reason of tideland grants by the
13 Legislature in the last session. For that reason, approval of
14 the County of Marin was requested and received with respect to
15 these easements at this time, because these easements will
16 constitute an encumbrance upon the lands which the County ex-
17 pects to receive.

18 GOV. ANDERSON: Item (h) -- Chandler Lloyd, Trustee --
19 dredging of approximately 79,000 cubic yards of material from
20 lands in Ozol, Contra Costa County, for improvement of navi-
21 gation.

22 Item (i) is the Department of Power and Water, City of
23 Los Angeles -- acceptance of quitclaim deeds on easements over
24 State school lands in San Bernardino County; Item (j) --
25 Merced County Road Department -- removal of sand from San
26 Joaquin River; Item (k) - Pacific Telephone and Telegraph

1 Company -- approval of submarine cable across tide and sub-
2 merged lands of San Francisco Bay. I had a question on
3 that, as to why there was no fee for the use of this land.

4 MR. HORTIG: For the Telephone Company easement,
5 Governor?

6 GOV. ANDERSON: Yes.

7 MR. HORTIG: Section 7901 of the Public Utilities Code
8 which constitutes a codification of statutes which have been
9 on the California statute books for many years, authorizes
10 telephone and telegraph companies to put telephone and tele-
11 graph lines along highways and across sovereign lands, particu-
12 larly tide and submerged lands, at no fee -- the consideration
13 being the public use and benefit by reason of this installation.

14 GOV. ANDERSON: Mr. Zweiback is asking if that is
15 mandatory or permissive.

16 MR. HORTIG: It is an authorization to the telephone
17 companies to do so and, as a matter of fact, they did, without
18 notice to any State agency, for many years prior to the time
19 of the creation of the State Lands Commission; and we have been
20 successful since the creation of the State Lands Commission
21 in having the telephone companies agree to execute specific
22 easement documents so that all their telephone occupations of
23 State lands are of record and we know precisely where they are.
24 Before the creation of the State Lands Commission, they just
25 occupied the lands willy-nilly and no one knew where they
26 were.

1 MR. ZWEIBACK: Is it your interpretation the State
2 would have no authority to charge a fee?

3 MR. HORTIG: This is in accordance with the Attorney
4 General's opinion.

5 MR. ZWEIBACK: Or performance bond?

6 MR. HORTIG: Or performance bond. The Commission could
7 demand -- in circumstances where the circumstances might be
8 deemed to be hazardous, could require performance bond. In
9 this specific instance, that is not considered to be the case
10 so no performance bond is required. It would be within the
11 province of the Commission to require a performance bond if
12 one were necessary.

13 GOV. ANDERSON: Item (1) City of Stockton -- 49-year
14 easement for sewer line across Mormon Slough, San Joaquin
15 County; (m) - City of Stockton, 49-year easement for sewer
16 line across the Stockton Channel, San Joaquin County.

17 That completes Item 3. Is there a motion on that?

18 MR. CRANSTON: I move approval of all of those items.

19 GOV. ANDERSON: There is no objection and so ordered.
20 Next, Item 4 -- permits, easements, leases and rights-of-way
21 issued pursuant to statutes and established rental policies of
22 the Commission.

23 Item (a) -- Argus Development Company -- deferment of
24 operating requirements, mineral extraction lease, Inyo County;
25 Item (b) -- Eldredge Combs -- approval of crude oil sales con-
26 tract for oil produced under easements in Orange County. I

1 believe I had a question on that -- the question of explain-
2 ing a little bit. Now, the calendar item on page 18 -- that
3 first paragraph wasn't too clear to me. Could you, Mr.
4 Hortic, explain that?

5 MR. HORTIC: This results undoubtedly from the inverse
6 language which was included in leases issued as late as 1940,
7 following the prototype that had actually been established by
8 a State Lands Division prior to a State Lands Commission as
9 early as 1929, and which had been standard language in industry
10 leases -- in that the provisions are for, ordinarily, delivery
11 of the State's royalty portion of the oil in actual barrels of
12 oil, with the alternative that the State could elect, in lieu
13 of taking the oil, to take its royalty in money. All current
14 leases provide for a royalty payment in dollars cash. At the
15 option of the State, if the State so desires, the State may
16 elect to have its royalty in actual barrels of oil if there
17 were a reason, whereby the State could secure a better market
18 for the oil or in some circumstances might have use for the
19 oil -- if we had a State refinery, which we don't have. On
20 some of the royalty leases heretofore, the policy has been to
21 take the State's gas royalties rather than taking any money.

22 None of these has been deemed to be economically prac-
23 tical, but the circumstances may still arise in the future,
24 depending upon the economics of the oil business, when one or
25 the other of these alternates may be selected by the Commis-
26 sion, whichever is most beneficial to the State.

1 GOV. ANDERSON: Item (c) -- Roland Elrod and Leonard
2 Elsbree -- 15-year lease on 1.04 acre strip of land alongside
3 the Sacramento River; Item (d) Ed Filipelli -- five-year
4 grazing lease in Lassen County; Item (e) -- Edith Knight --
5 five-year grazing lease in San Bernardino County; Item (f)
6 Chandler Lloyd -- permission to enlarge existing structure
7 covered by lease at Port Costa in Contra Costa County; Item
8 (g) -- Myco Mining Company, two-year prospecting permit,
9 Fresno County; (h) Myco Mining Company, two-year prospecting
10 permit on State school lands in Fresno and San Benito Counties;
11 Item (i) -- a Site Six Resort Corporation -- 49-year right-of-
12 way easement over submerged lands in San Bernardino County.

13 MR. HORTIG: If I may call the Governor's attention
14 there -- there is a case where there is a corporation which
15 is not a public utility corporation and does not have the type
16 of authority the telephone companies have to occupy State
17 sovereign lands, so in order to put a cable across they must
18 secure an easement and pay established rentals, distinguished
19 from public corporations.

20 GOV. ANDERSON: Item (j) Standard Oil Company of Cali-
21 fornia and Humble Oil and Refining Company -- rescission of
22 Commission action of February 24th, as portions of area in-
23 cluded have been granted in trust to Santa Barbara County;
24 issuance of corrected 49-year easement in Santa Barbara County;
25 Item (k) -- termination of lease in Santa Barbara County,
26 rescission of action March 25, 1959; Item (l) -- Standard Oil

1 Company, Western Operations -- issuance of geological survey
2 permit from 8/15/59 to February 15, 1960 on tide and submerged
3 lands in Santa Barbara, Ventura and Orange Counties -- Com-
4 missions costs to be reimbursed.

5 I believe I had a question on that.

6 MR. HORTIG: I proposed to present some discussion to
7 the Commission on that.

8 GOV. ANDERSON: We are setting a little precedent on
9 this?

10 MR. HORTIG: Yes sir.

11 GOV. ANDERSON: Would you like to explain it?

12 MR. HORTIG: Yes sir, we would. The statutes have
13 provided since 1956 for the issuance of geological and geo-
14 physical survey permits on State tide and submerged lands by
15 the State Lands Commission on such terms and conditions as
16 the Commission desires to prescribe.

17 The original geological survey permit conditions which
18 were established on May 18, 1956 by the then Commission,
19 covered the operations of drilling so-called submarine core
20 holes -- where, from floating marine equipment, the holes are
21 drilled into the ground and geological samples are taken from
22 there or electrical measurements or other diagnostic measure-
23 ments are made in the hole to reveal the geology of the sub-
24 strata. At the time of the adoption of the original condi-
25 tions for a permit for this type of operation, the statute
26 also provided that such permits were only required for holes

1 drilled deeper than 500 feet into the ocean floor. In other
2 words, the first 500 feet did not require any permit; and,
3 amazingly, the reports were that all core holes then being
4 drilled only went to 499 feet.

5 There were, of course, no State inspectors aboard be-
6 cause no permits or State inspection were required.

7 A few holes were drilled beyond 500 feet, for which
8 permits were issued, which resulted in the establishment of
9 these conditions on May 18, 1956 for a permit. At the incep-
10 tion of the program, it was not clear as to how deep operations
11 should be permitted to go -- whether permits should be allowed
12 which would actually result in complete exploration of a pros-
13 pective oil field as distinguished from the industry inter-
14 pretation of a core hole, which is for geological data but
15 not for production data, this being the basic distinction be-
16 tween a core hole and well drilling permit and also having
17 been the distinction utilized by the State Division of Oil and
18 Gas in permits issued on uplands (privately owned uplands)
19 as against a permit for drilling a complete oil well.

20 Language was adopted which it was hoped would restrict
21 the drilling to distinguish between geological data and pro-
22 duction data by providing in the original permits that a
23 permittee might drill only so deep as necessary to reach the
24 first competent or correlative stratigraphic bed. This means
25 the first diagnostic bed of earth from which they could tell
26 where they were in point of time and space under the ocean

1 floor. This is theoretically excellent and a precise limit,
2 except that you don't know you have reached this point until
3 after you have passed this point and made your diagnoses and
4 compared your geological data available on the uplands; and
5 in many areas on the California coast, the geology of the
6 upland isn't known and the geology under the ocean floor is
7 even more not known. So, setting in advance a limitation of
8 depth, or even at the time the drilling was going on in an
9 entirely unknown area, has in fact been impossible.

10 We have been remarkably successful in connection with
11 cooperation between our State inspectors, who are now on every
12 one of the geological drilling boats when they are operating --
13 in cooperation with the permittee on reaching reasonable inter-
14 pretations as to when these depths have been reached; but it
15 still has left an aura of doubt in those areas where a permit
16 has been issued, where there have been no core holes drilled
17 heretofore and the depths of the geological strata are utterly
18 unknown.

19 Therefore, it is proposed to authorize pursuant to
20 application by Standard Oil Company of California, Western
21 Operations, Inc. a permit at this time -- and to any other
22 applicant who in the future might wish to receive such a per-
23 mit -- a revised permit containing all conditions heretofore
24 established as limiting core drilling with the exception that
25 the limitation to the first competent or correlative strati-
26 graphic bed would be stricken and, instead, a depth -- a