

1 TRANSCRIPT OF
2 MEETING
3 of
4 STATE LANDS COMMISSION
5 LOS ANGELES, CALIFORNIA
6 AUGUST 27, 1959 --- 9:00 A. M.

7 PARTICIPANTS:

8 THE COMMISSION:

9 Messrs. Glenn M. Anderson, Lieutenant Governor, Chairman
10 Alan Cranston, Controller
11 John E. Carr, Director of Finance
12 Fred Zweiback, Executive Secretary to
13 Lieutenant Governor Anderson
14 F. J. Nortig, Executive Officer

15 OFFICE OF THE ATTORNEY GENERAL:

16 Mr. Dan Kaufmann, Assistant Attorney General
17 Mr. Howard S. Goldin, Deputy Attorney General

18 APPEARANCES:

19 (In the order of their appearance)

20 Mr. Harold A. Lingle
21 City Attorney's office, City of Long Beach
22 re Special Order of Business - Long Beach
23 Boundary Determination

24 Mr. Roy Brown, Attorney-at-Law
25 representing F. E. Gober, doing business
26 as Gober Drilling Company

and

Mr. Philip J. Brady, Deputy City Attorney,
City of Long Beach

re: Contract for drilling water injection wells.

Reporter:

Louise H. Lillico

Division of Administrative Procedure

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

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3 <u>Permits, easements, and</u> <u>rights-of-way - no fee</u>			
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(b) Pacific Gas & Elec.	17	3	5
4 <u>Permits, easements, leases</u> <u>and rights-of-way, fee</u>			
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(c) Chandler L.L.C.	25	6	6
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(d) Subsidence Studies, Horizontal Movement Studies, Photo- grammetric Work	21	17 & 21	10
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DIVISION OF ADMINISTRATIVE PROCEDURE, STATE OF CALIFORNIA

12 and 15

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19	26	12	:			

1 GOV. ANDERSON: The meeting of the State Lands
2 Commission will come to order and the first item is confirma-
3 tion of the minutes of the meeting July 30th.

4 MR. CRANSTON: I move they stand approved.

5 GOV. ANDERSON: You move they be approved without
6 reading. Seconded?

7 MR. CARR: Yes.

8 GOV. ANDERSON: So ordered. The second item is the
9 special order of business -- Long Beach tidelands boundary
10 determination, report by the Attorney General's office and
11 the Commission staff.

12 MR. HORTIG: Mr. Chairman, as the Commissioners will
13 recall, on July 30th you authorized the Executive Officer to
14 execute a form of stipulation with the City of Long Beach to
15 protect the rights of the State as against the imposition of
16 any statute of limitations. The original motion, made by Mr.
17 Cranston, suggested that this stipulation be effective as of
18 the date of the meeting in which the motion was made, which
19 was May 29th. In further consultation, the attorneys felt
20 that a more effective, appropriate and efficient cut-off date,
21 particularly for accounting purposes, if the stipulation should
22 ever come into effect, would be June 1, 1959.

23 Therefore a stipulation protecting the rights of the
24 State and the City of Long Beach has been executed by the
25 Executive Officer pursuant to the authorization by the Commis-
26 sion, but indicating an effective date of June 1. Therefore,

1 it is requested that the Commission modify the prior authori-
2 zation to ratify the substitution of the June 1 effective
3 date for the previously designated May 29th date.

4 MR. CRANSTON: I so move, Mr. Chairman.

5 GOV. ANDERSON: You have heard the motion

6 MR. CARR: I second it.

7 GOV. ANDERSON: It has been moved and seconded -- so
8 ordered.

9 MR. HORTIG: The second phase, of course, of interest
10 to the Commission is the status of the negotiations which are
11 continuing and covering of time for which constitutes the pur-
12 pose of the stipulation, to protect the rights of the State.
13 For a brief report on the status of these negotiations, I
14 would like to have Assistant Attorney General Kaufmann report.

15 MR. KAUFMANN: Insofar as this agreement is concerned,
16 it has now been executed by Mr. Hortig and it is our under-
17 standing that it has also been executed by the representatives
18 from the City of Long Beach and should be received by us very
19 shortly.

20 Insofar as the discussions which have been taking place
21 according to the authorization of the Commission, they have
22 taken place, they are taking place, and we would at this time
23 believe it appropriate to ask the Commission to grant another
24 extension of thirty days to permit the parties to continue
25 these talks. Mr. Lingle is here, representing the City
26 Attorney's office, and I am sure he will confirm the statements

1 I have made with respect to the agreement and the request
2 that we be granted another thirty days to continue the
3 discussions.

4 GOV. ANDERSON: Our next meeting is on October first.
5 Do you want it to the next meeting?

6 MR. KAUFMANN: The next meeting.

7 GOV. ANDERSON: The next meeting, which is about
8 thirty-six days.

9 MR. CRANSTON: May I ask if both of you feel that
10 progress is being made?

11 MR. KAUFMANN: I believe that progress is being made,
12 that the parties are in good faith attempting to reconcile
13 the problems.

14 MR. LINGLE: I confirm Mr. Kaufmann's statement and I
15 also would confirm the representation that the City has
16 signed the agreement preserving the rights as of June first.

17 MR. CRANSTON: Mr. Chairman, I move we extend the time
18 for negotiations to October first, the next meeting of the
19 Lands Commission.

20 MR. CARR: I'll second the motion. I'd like to ask a
21 question and that is -- Mr. Lingle, do you believe that the
22 City of Long Beach will have acted on this agreement by that
23 time? I mean, can we expect that we will have something
24 definite at the next meeting?

25 MR. LINGLE: Mr. Carr, I couldn't tell you. The City
26 Council is involved. There is an agreement freezing the rights

1 you don't mean that agreement? That's been executed. As to
2 the negotiations and the ultimate

3 MR. CARR: I mean the consummation of the negotiations.

4 MR. LINGLE: I wouldn't represent that to you unless
5 I know that negotiations have reached a final point and I
6 can't tell you how my client will act in that case. I do
7 know that our discussions are going ahead and I think that we
8 are accomplishing things; but I couldn't tell you that even
9 what Mr. Kaufmann and our office and our special counsel
10 would arrive at --- that necessarily the Council will accept
11 that.

12 MR. CARR: Can you comment on that, Mr. Kaufmann?

13 MR. KAUFMANN: Just to amplify the statement that I
14 made before -- that all the parties are working conscien-
15 tiously to arrive at an understanding and a fair settlement of
16 the problem and I think with a target date of October first
17 we will certainly make every effort to meet that date. That
18 would be our purpose and I believe it would be the purpose of
19 the City of Long Beach.

20 MR. CARR: Well, in seconding the motion I'd like to
21 have the record show that we expect that to happen. Is that
22 all right with you, Mr. Cranston?

23 MR. CRANSTON: I endorse your expectations and hopes.

24 GOV. ANDERSON: No further comments? It will be so
25 ordered. That completes the special order of business, then.
26

1 GOV. ANDERSON: The next item will be Item 3 --
2 permits, easements, and rights-of-way to be granted to public
3 and other agencies at no fee, pursuant to statute.

4 Item (a) is the application of Division of Highways --
5 right-of-way easement; item (b) -- Pacific Gas and Electric
6 Company, a 49-year right-of-way easement over submerged lands.
7 Is this the one

8 MR. HORTIG: One additional comment on the calendar
9 item appearing on page 2 of the Commissioners' copy of the
10 calendar, relative to the application for easement over tide
11 and submerged lands by the Division of Highways. The Com-
12 mission will recall that during the past years there have
13 been severe slides along the ocean in the palisades section
14 of Santa Monica Bay. The Commission (the previous Commission)
15 previously has granted temporary easement to the Division of
16 Highways to put the highway over tide and submerged lands
17 temporarily in the slide area. This produced objection by
18 the Division of Beaches and Parks so far as routing over
19 recreational portions of the beach and particularly Will
20 Rogers State Beach.

21 This matter was reviewed with the Division of Beaches
22 and Parks and specifically they have reported that there are
23 no objections to the issuance of this permanent easement by
24 the State Lands Commission.

25 MR. CARR: I move approval.

26 GOV. ANDERSON: Of both items"

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24 the State Lands Commission.

25 MR. CARR: I move approval.

26 GOV. ANDERSON: Of both items?

1 MR. CARR: Yes.

2 MR. CRANSTON: Second the motion.

3 GOV. ANDERSON: No objection -- so ordered.

4 Item 4 -- Permits, easements, leases, and rights-of-
5 way issued pursuant to statutes and established rental
6 policies of the Commission.

7 First application is General Petroleum Corporation --
8 approval of construction of an addition to existing pier in
9 Rincon Field. Any comment as we go along? (No response)

10 (b) is Klamath Cedar Company -- cancellation of log-
11 storage lease;

12 (c) Chandler Lloyd, Trustee -- approval of sublease
13 to Lark Corporation;

14 Item (d) -- Natural Gas Corporation of California --
15 approval of assignment of lease;

16 Item (e) Natural Gas Corporation of California --
17 approval of assignment of lease;

18 Item (f) is the Natural Gas Corporation -- approval of
19 assignment of a lease;

20 Item (g) is Natural Gas Corporation -- the approval
21 of assignment of a lease;

22 Item (h) -- Richfield Oil Corporation -- approval of
23 automatic equipment installed on State oil and gas lease,
24 Rincon Field;

25 Item (i) -- Santa Catalina Island Company -- approval
26 of assignment of lease;

7
1 Item (j) -- Seafarer Inn -- acceptance of quitclaim
2 deed and termination of lease;

3 Item (k) -- Shell Oil Company, renewal of lease;

4 Item (l) -- Clyde C. Wemple -- cancellation of
5 grazing lease. That's all under that Item 4.

6 MR. HORTIG: Mr. Chairman, all items -- (a) through
7 (l) -- under subdivision of your summary, with the excep-
8 tion of (h) are standard in the sense that there is preced-
9 ent; that there are rules and regulations and procedures
10 heretofore established by the Lands Commission for consum-
11 mating the actions recommended.

12 Item (h) is unique in the sense that we are here re-
13 porting the fact that developments in technology have over-
14 taken our rules and regulations. The rules and regulations
15 for field operation of an oil and gas lease cover the gauging
16 and measurement of oil and gas only by hand means, by people
17 there in person. Technology has developed whereby this mat-
18 ter can be handled in certain instances more efficiently and
19 more accurately by automatic equipment. Therefore, in this
20 particular item it is recommended that, in view of the fact
21 that the leases are subject to amendment by mutual consent,
22 approval of the Commission for this first installation of
23 this type on a tideland lease be granted.

24 The staff have under review proposals for up-dating
25 the rules and regulations, so that for future situations of
26 this type the regulations will also cover it and not require

1 specific approval for the modification of leases in order to
2 keep abreast of the present state of the oil and gas industry.

3 MR. CRANSTON: Mr. Chairman, I move approval of the
4 items in classification 4.

5 MR. CARR: Mr. Hortig, could you explain in not to
6 exceed two minutes what this technological advance is?

7 MR. HORTIG: Yes, Mr. Carr. The best example is
8 simply that heretofore, in the standard method of measuring
9 production and shipment of crude oil from any well, the
10 oil (having been separated from the water, if any) has been
11 stored in a tank; the level of the oil in the tank has been
12 measured by a tape inserted by a gauger, the level read.
13 After the oil has been shipped from that tank, another gauge
14 is made, the difference between the two elevations measured
15 is computed, translated into barrels of oil, finally arriving
16 at an indicated amount of oil on which State royalty is due.

17 Under the automatic custody transfer procedure approved
18 here, oil can be shipped continuously or automatically at
19 predetermined intervals out of a tank, without any human be-
20 ing in attendance -- the oil having been processed, separated
21 from gas, and accurate measurements being available as to
22 the amount of oil that has been shipped by means of recently
23 developed accurate metering equipment. So it is simply a
24 matter of reading the meter at the beginning of the month
25 and at the end of the month, and the difference between the
26 two is the amount of oil having been shipped -- without anyone

9
1 being in attendance. The ultimate in processing is a meter
2 in current experimental development (with no reason that it
3 won't be developed) that will even yield a key punch card
4 which can be put in the computer of the electronic accounting
5 system at the end of the month, which will give the amount
6 of oil shipped, without anyone being in attendance.

7 MR. CARR: I understand this equipment is already in
8 operation.

9 MR. HORTIG: This is correct and this is why the
10 approval has been withheld up to this time in order to prove
11 the equipment. In other words, we have actually run this
12 equipment for several months as against our heretofore stand-
13 ard system of gauging the measurements and the indications
14 are that our automatic equipment possibly gives us more
15 accurate results and certainly gives us more efficient
16 results.

17 MR. CARR: Second.

18 GOV. ANDERSON: Motion made and seconded that all
19 items under Item 4 be approved. No objection -- so ordered.

20 Item 5 is the City of Long Beach projects:

21 Item (a) Roads and Streets, Pico Avenue, second
22 phase -- approval of expenditures by Long Beach Harbor
23 Department of \$218,500 including subsidence costs of \$58,995.
24 Do you want to comment on these as I go along, or just go
25 through them?

26 MR. HORTIG: I will have comments only on Item (f).

1 Governor, unless there are questions.

2 GOV. ANDERSON: Item (b) -- Pier F, first phase --
3 approval of expenditure of Long Beach Harbor Department of
4 \$200,000, including subsidence \$16,000;

5 Item (c) -- Pier G, first phase -- approval of expendi-
6 ture by Long Beach Harbor Department of \$200,000, including
7 estimated subsidence costs of \$20,000;

8 Item (d) -- Subsidence Studies, Horizontal Movement
9 Studies, Photogrammetric Work -- approval of expenditure by
10 Long Beach Harbor Department of \$3,500, estimated subsidence
11 costs \$3,150;

12 Item (e) -- Spreckels Property -- General Fill Eighth
13 Street to Richfield Lease -- determination of allowable sub-
14 sidence of \$2,023.98 instead of \$5,352.73, with credit to the
15 State of \$3,328.75;

16 Item (f) -- Town Lot, Public Utilities -- conditional
17 approval of expenditure by Long Beach Harbor Department of
18 \$135,000; and that's all under the Long Beach items?

19 MR. HORTIG: That's correct, Governor.

20 GOV. ANDERSON: Do you want to comment?

21 MR. HORTIG: Items (a) through (e) are the normal
22 recurring types of projects necessarily being conducted by
23 the Harbor Department involving subsidence alleviation and
24 protection, to which the Commission is authorized to give
25 advance approval as well as approval for possible participa-
26 tion in subsidence costs, pursuant to Chapter 29 of the

1 Statutes of 1956. Item (f) is a conditional approval of a
2 project of the same general type but is of a category that
3 involves the purchase of certain properties which may, after
4 purchase by the City and having been rehabilitated from their
5 subsidence condition, have enhanced value; and the question
6 has been heretofore raised whether there should be an offset
7 in the State's participation by reason of that enhanced value.
8 This question is under consideration by the Attorney General
9 and, therefore, the advance approval in this instance precludes,
10 or does not authorize, the City to withhold any tentative sub-
11 sidence deductions until such time as the opinion of the
12 Attorney General is received and the Commission modifies the
13 approval in accordance therewith.

14 MR. CARR: What is your recommendation?

15 MR. HORTIG: The recommendation as it appears on page
16 24 -- that the advance approval of expenditure be in the
17 amount of \$135,300, that it be allowed to the City but that
18 the City not be permitted to take any subsidence deductions
19 currently. This type of item has been a recurring one over
20 the last two years of the Commission's experience and the same
21 recommendations have been made and approvals have been granted
22 in each instance. In other words, there are a considerable
23 number of acquisitions of this type of property that have al-
24 ready been consummated by the City, but the City has not with-
25 held any portion of the State's portion for subsidence costs.
26 If the Attorney General finally renders an opinion that we have