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TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA
OCTOBER 29, 1959
9:00 A. M.

PARTICIPANTS:

THE COMMISSION:

Messrs. Glenn M. Anderson, Lieutenant Governor, Chairman
Alan Cranston, Controller
John E. Carr, Director of Finance
F. J. Hertig, Executive Officer
Fred Zweiback, Executive Secretary to
Lieutenant Governor

OFFICE OF THE ATTORNEY GENERAL:

Assistant Attorney General Dan Kaufmann
Deputy Attorney General Howard S. Goldin

APPEARANCES:

(In the order of appearance)

RE: LONG BEACH BOUNDARY DETERMINATION

Joseph A. Ball, Special Counsel for
City of Long Beach

Harold Lingle, Deputy City Attorney,
City of Long Beach

H. E. Ridings, Jr., President, Board
of Harbor Commissioners, Long Beach

S. M. Roberts, Administrator, Subsidence
Control Division, Long Beach

Mayor Raymond C. Kealer, Long Beach

J. B. Lamb, Assistant District Attorney, Long Beach

Donald G. Sutherland, President, Long Beach
Naval Shipyard Employees Association

1 APPEARANCES, continued

2 RE: LONG BEACH BOUNDARY DETERMINATION (continued)

3 Harry Fulton, Reporter, Long Beach
4 Independent Press-Telegram

5 RE: IMPROVEMENT OF APPIAN WAY

6 Herbert A. Buehler, President
7 North Alamitos Bay Property Owners

8 John C. Trask, President
9 Naples Improvement Association

10 Walter J. Gay
11 Resident, Long Beach

12 J. K. Shallenberger, President
13 Marina Improvement Association

14 Tom A. Kendig, Home Owner, Long Beach

15 J. M. Gregory, Resident, Long Beach

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

<u>ITEM CLASSIFICATION</u>	<u>Item on</u>	<u>Page of</u>	<u>Page of</u>
	<u>Calendar</u>	<u>Calendar</u>	<u>Transcript</u>
1 <u>Special Order of Business:</u>			
<u>Long Beach tide and submerged</u>			
<u>lands boundary determination</u>	16	1	1
MOTION			52
2 <u>Permits, easements, and</u>			
<u>rights-of-way, no fee</u>			
(a) Palos Verdes Corp. and			
Capital Company	11	2	53
3 <u>Permits, easements, leases,</u>			
<u>and rights-of-way, fee</u>			
(a) Seaward Oil Company, Ltd.	22	4	54
4 <u>City of Long Beach Projects</u>			
<u>(approvals pursuant Sec. 6879)</u>			
(a) Water-flooding release			
agreement	8	5	54
(b) " - interim release agree.	17	7	54
(c) " - cooperative agreement	18	9	54
5 <u>City of Long Beach Projects</u>			
<u>(approvals pursuant Chap. 23)</u>			
(a) Expenditures Nos. 28, 57, 253	9	11	58
(b) Improvement of Appian Way			
and construction of bridge	10	13	58
MOTION			79
6 <u>Sales of vacant State school land</u>			
(a) Greenberg, Maxwell, et al	5	16	80
(b) " " " "	6	17	
(c) Kay, Andrew F.	20	18	
(d) Mednick, Ben, et al	3	20	
(e) Slatinsky, Michael & Goodman	1	21	
(f) " " " "	4	22	

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

<u>ITEM CLASSIFICATION</u>	<u>Item on</u> <u>Calendar</u>	<u>Page of</u> <u>Calendar</u>	<u>Page of</u> <u>Transcript</u>
7 <u>Approval of Selection of</u> <u>vacant Federal lands, etc.</u>			
(a) McCarthy, George	2	23	80
(b) McKee, Ernest M., Sr.	19	23	80
8 <u>Lease offer for sand extraction</u> <u>Sacramento County - McMillivray</u>	13	25	81
9 <u>Approval of proposed budget</u>	21	26	81
10 <u>Approval of plat of survey</u> <u>for H. F. Laurity</u>	7	29	85
11 <u>Adoption of policy - re</u> <u>salvage operations</u>	14	30	86
12 <u>Establishment of policy re</u> <u>calendar closing dates</u>	15	32	87
13 <u>Status of major litigation</u>	12	33	89
14 <u>Next Commission meeting</u>			90

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(In accordance with item numbers)

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Confirmation next meeting		90

1 GOV. ANDERSON: The meeting of the State Lands
2 Commission will come to order. As you will note, all members
3 are present. I think the first item is the special order of
4 business -- Long Beach tide and submerged lands boundary
5 determination, pursuant to Chapter 2030, 1957. Mr. Hortig,
6 do you wish to report on that?

7 (Mr. Cranston called out on phone call, proceedings
8 held up very short time awaiting his return).

9 MR. HORTIG: Mr. Chairman and Commissioners, at the
10 last meeting of the State Lands Commission on October 5, the
11 Commission granted a further extension of time for negotiations
12 until the next scheduled meeting, which is obviously today.
13 This extension was predicated upon the condition that the Com-
14 mission would have presented to it at today's meeting either
15 a proposal for settlement or very convincing evidence that
16 negotiations are close to settlement and that the City of
17 Long Beach is doing all it can to expedite the negotiations
18 and bring them to a conclusion. Representatives of the
19 Attorney General's office are here today to report to the Com-
20 mission, as well as the Commission staff; and representatives
21 of the City of Long Beach are present, and it is suggested to
22 the Chairman that the representatives of the City of Long Beach
23 be called upon for their report at this time.

24 GOV. ANDERSON: Who are the representatives of the
25 City of Long Beach? Mr. Ball, do you wish to report on this?

26 MR. BALL: And Mayor Kealer is here and three members

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1 of the City Attorney's office.

2 GOV. ANDERSON: Who would wish to make the report
3 you, Mr. Ball?

4 MR. BALL: Well, I can answer any questions you wish
5 to ask on the matter.

6 GOV. ANDERSON: Would you like to direct any ques-
7 tions, Mr. Hortig?

8 MR. HORTIG: I feel, Mr. Chairman, possibly it would
9 be most helpful to the Commission to withhold the questions
10 until a report by the City of Long Beach is presented on the
11 basis of either of these two options which were the Commis-
12 sion's conditions for the deferment which had been granted to
13 today -- as to whether there is a specific proposal for settle-
14 ment at this time, or whether they wish to report that nego-
15 tiations are close to settlement and that they are doing all
16 they can to expedite the negotiations and bring them to a con-
17 clusion. After such report is made, I feel the Commission
18 would be in better position to direct specific and applicable
19 questions.

20 MR. KAUFMANN: Mr. Chairman, I am Dan Kaufmann,
21 Attorney General's office. Perhaps I can make a report from
22 the point of view of the Attorney General's office represent-
23 ing the Lands Commission. Very briefly, I'd like to summarize
24 what has transpired in the last four and a half months since
25 May 28th. At that meeting, Mayor Kealer, representing the
26 City, appeared before the Commission and asked for the

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1 opportunity to have the City representatives sit down with the
2 State representatives and discuss the boundary problem in the
3 Long Beach Harbor area; and the Commission acceded to this re-
4 quest and instructed us to meet with the City's representa-
5 tives.

6 Since that date, there have been seven meetings
7 between ourselves and representatives of the City. In at
8 least one of them, administrative officials both from the City
9 and State participated. The first three meetings were spent
10 in discussing with the City the bases of the State's claims
11 in this area. Then a fourth meeting was held in which ob-
12 stacles were discussed to settlement. In the fifth meeting
13 in July, the City presented a proposal -- it was not a firm
14 proposal, but it was a proposal for settlement of our problems.
15 After studying this proposal, we informed the City's repre-
16 sentatives it wasn't acceptable; and at two subsequent meet-
17 ings we presented counter settlements to the City's repre-
18 sentatives.

19 As the Commission is aware, as time passed Commis-
20 sion meetings took place and the matter was continued for the
21 purpose of permitting these negotiations to continue. Since
22 the last meeting, which was October 5, there have been no
23 further meetings between ourselves and the City representatives.
24 However, we were advised on October 8th by the City Attorney's
25 office that the City Council was considering the problem. On
26 Saturday, October 17, we received a letter from the City

1 Attorney's office setting forth a proposed basis for settle-
2 ment, with the indication that this proposal had emanated
3 from the City Council. In our opinion, this last suggested
4 basis for settlement is not satisfactory. It is substantially
5 less than the original proposal presented by the City's
6 representatives last July and is a suggestion which we have
7 previously rejected in discussions with the City's representa-
8 tives.

9 In view of the directions from the Commission last
10 October 5, in view of the lapse of time that has taken place
11 (approximately four and a half months), and in view of this
12 last written communication which presents a proposal which is
13 substantially less than the proposal discussed last July, we
14 believe that the question before the Commission from our point
15 of view is: What further instructions the Commission desires
16 to give us with respect to continuing of these discussions and
17 negotiations.

18 MR. CRANSTON: Mr. Chairman, I'd like to ask if Long
19 Beach has any comments to make on that report by the Attorney
20 General's office.

21 MR. BALL: Yes. As you know, in May Long Beach
22 wasn't very well informed on the problem. They had heard
23 rumors of the State's claims but there had been no thorough
24 study by the City of the problem. In the first month of our
25 negotiations, the Attorney General's office were more than
26 generous in affording us their information. We had several

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1 meetings and they gave us copies of their maps and they
2 sketched out their theories. Then, as you know, Long Beach
3 appointed our office in June, the last of June I believe, as
4 special counsel; and we went to work on it with the Attorney
5 General's office; and it finally came to the point where we
6 thought we could advise the City what their position could be.

7 I am certain you are advised by your Attorney
8 General's office, and they have done a thorough job, that they
9 have decided opinions on the matter. At the same time, the
10 City and everybody takes a different point of view, and we
11 have advised the City as honestly as we can what we think
12 their legal position is. The result of this is this: Both
13 sets of lawyers believe there is a controversy there which
14 might be either won or lost. I doubt if any certainty has
15 been arrived at. I doubt if any one of the lawyers, either
16 for the City or State, has arrived at any certainty in this
17 matter either on the question of fact or law.

18 As a result, as was suggested in July, in a meeting
19 of lawyers we tried to talk over a compromise in which the
20 City wouldn't be too hurt in the matter and something we could
21 propose as a settlement. As Mr. Kaufmann states, they didn't
22 feel that was acceptable. The Attorney General submitted to
23 the City a proposal that we didn't think was acceptable. We
24 don't have to go into the details of the offer, but the City
25 Attorney's office and our office didn't feel that we could
26 conscientiously recommend the settlement submitted by the

1 Attorney General's office to us. That simply means a differ-
2 ence of opinion. That happens in every law suit. We had
3 several conferences with the Council sitting as a whole and
4 we talked this over several times. I believe the Council met
5 themselves and talked this matter over, and from the Council
6 came an offer of settlement which we submitted to the Attorney
7 General's office, which I understand is not acceptable to
8 them.

9 Now, as I say, I understand that privately, by
10 talking to Mr. Kaufmann. However, I am just one of the law-
11 yers in the case and he is just one of the lawyers in the
12 case. The problem is one for the State Lands Commission and
13 one for the Council and that is this: That if the State Lands
14 Commission, acting on the advice of their lawyer, react as
15 their lawyers did, that they are not satisfied with it, well
16 then you are about in the same position we were when we re-
17 ceived yours. We considered it and replied that it was not
18 satisfactory.

19 Now, I have heard rumors -- and that's the only
20 thing I can go on -- I have heard rumors throughout the State
21 various ways that the State Lands Commission was somewhat up-
22 set over the fact that Long Beach had submitted this proposal
23 back. One reason I am here today is to talk to you gentlemen
24 and explain to you this is a matter of a law suit between two
25 very interested parties, who are being honestly advised by
26 their lawyers -- one, that they have a good law suit; the

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1 other that they have a good defense; yet I am certain that the
2 lawyers in the case believe should be settled for the good of
3 the State as well as the City; and I have asked you not to
4 receive the City of Long Beach's proposal with anger, with any
5 feeling that we still don't intend to carry out Mayor Kealer's
6 suggestion of last May that we want to sit down and talk to
7 you about this thing; but consider the fact that this is our
8 proposal and if you are dissatisfied with it, let's sit down
9 and talk some more.

10 Now, the State is one interested party and you
11 represent the State, but you've got a great stake in that oil
12 field down there. The City is another interested party and
13 they are vitally interested; and the offer made by the Attorney
14 General would cost the City some seven million dollars that
15 would come out of the pockets of the people of the City of
16 Long Beach. That's a very serious problem for the City Council
17 of Long Beach -- to assess their taxpayers that amount of
18 money. Although that money would go to the State Lands Com-
19 mission, this would go to the treasury, yet this money had
20 been allocated to the bond amortization fund and if we settle
21 for this amount that means we have to take that amount of
22 money out of the pockets of our citizens, so we have to look
23 at this very carefully. The City Council has to look on it
24 as a business man on a seven million dollar loss.

25 I don't have to urge on you that it would be nothing
26 less than disaster if you file a law suit with the City of

1 Long Beach at this time. We are working hard down there on
2 repressuring. It's hoped that Fault Blocks II and III can
3 unitized by January first. That might be optimistic -- the
4 are a good many things in the way now -- but it's hoped that
5 might happen. But a law suit against Long Beach right now
6 would paralyze those efforts at this time, when they have
7 or six rigs running down in the harbor, running injection
8 We are getting cooperation from the upland owners now. A
9 law suit would be the worst thing that could happen. I can
10 know of any remedy to suggest. I don't say you can't file
11 your law suit, but I do say -- what is the penalty, penalty
12 you as well as us? If you file a law suit, remember we are
13 through and the economic damage to one of the largest cities
14 in California -- that is actually threatened.

15 Now, what is the alternative here to filing of a
16 suit now and bringing it to a head? If we do finally have
17 go to court and litigate this matter, it can be litigated.
18 This isn't going to get stale. The statute of limitations
19 no longer against the State -- that has been waived by agree-
20 ment. I think this is the time for calm heads to sit around
21 together and talk. You can become angry with us if we don't
22 do what you want; we can be angry with you if you ask us more
23 than we think it is worth. That happens in litigation. This
24 is the time to be calm and talk about this thing because the
25 economy of the State is threatened if you file a law suit.

26 I know you gentlemen are under pressure from the

1 Legislature. I have heard this in the newspapers. But that
2 is not the thing. The pressure must be resisted at this moment,
3 when things are serious. If we had unitized Fault Blocks II,
4 III, IV and V, why then there would be no pressure. There
5 would be no problem here at all. We wouldn't have this
6 particular plea to sit down and talk. We could say "Go file
7 your law suit and we'll fight you and we will see you in the
8 courthouse" as people say many times when negotiations break
9 down; but negotiations haven't broken down. We are still
10 willing to sit down and talk about this from our standpoint.

11 Remember this -- we have a defense to this law suit
12 and anybody will tell you that. We aren't in a position where
13 you say "We want so much" and we have to give it to you. We
14 are like the woman that was walking in the cross walk and she
15 asked for \$25,000 and the insurance company says "We won't
16 pay you that" so she goes and sues; and the insurance company
17 says "We won't give you a quarter." That's what happens in
18 litigation. That's not our situation. We are partners in
19 that oil field. We have a common problem we have to solve.
20 What is paramount -- the recovery of a few dollars on the wells
21 on the upland or to stop subsidence? That's the only thing
22 I am here for today -- to make a plea for good sense and
23 tolerance, not to get angry because we differ with you on the
24 merits of our law suit and how much it is worth.

25 GOV. ANDERSON: Joe, I can assure you the State Lands
26 Commission is not angry and that our efforts are to try to