

1 approach this on a calm basis, and we feel we have been doing
2 this. We started actually last May, as you mentioned, to try
3 to bring about a peaceful and calm settlement, and the thing
4 we are trying to get an answer on this morning is: Is this
5 settlement ready this morning, or are negotiations close to
6 settlement, and is Long Beach doing everything it can to
7 expedite the negotiations? Do you feel that the negotiations
8 are close to settlement and the City of Long Beach is doing
9 everything it can?

10 MR. BALL: Let me answer those in order. The City
11 of Long Beach has been negotiating and I think the negotiations
12 are not close to settlement. When you people ask us for seven
13 million dollars and we offer half a million, something like
14 that, that's quite a ways apart; yet the Council bases its
15 opinion upon what it thinks is a good solid settlement for
16 Long Beach in view of the fact it has a chance to win a law
17 suit; and your attorneys -- it is their opinion it's worth
18 seven million dollars on the same basis. Third, are we doing
19 all we can toward settlement? I don't know how much money
20 Long Beach has spent in hiring me to give an opinion and it's
21 quite a bit, and we have sat around the last four months and
22 talked about this. I have met with various members of the
23 Council; I have met with the City attorneys. We have had many
24 meetings in Mr. Jacobson's office just trying to make up our
25 minds. Remember we have to make up our minds; we have to know
26 what we can conscientiously recommend to the people of Long

1 Beach on the settlement. There was one settlement offered us
2 I am not going to mention it -- that after we analyzed it, we
3 believed we would have to submit that to a vote of the people
4 and change our charter and yet when we told the Council what
5 it would cost, they were in doubt they could get the charter
6 amendment through. When you represent a legislative body like
7 a council, it is not the same as if I represented you and you
8 sat down in my office and we talked this over. We have to
9 represent nine people. We have to convince nine men, first,
10 what their legal position is; and, secondly, the economic
11 aspects of the settlements.

12 We have been working since the last of June -- I
13 haven't been but since the first of July -- the City Attorney's
14 office since the first of June, which isn't a long time when
15 you consider the amount of money involved and the seriousness
16 of this problem. I don't know whether this answers your
17 question or not. I don't think a settlement is imminent. I
18 don't think we are going to get it in the next thirty days.

19 GOV. ANDERSON: Do you think a settlement can be
20 brought about in negotiation, or are we just wasting time?

21 MR. BALL: I'll tell you this -- I've talked to Mr.
22 Shavelson, Mr. Kaufmann, Mr. Goldin; and I think a settlement
23 is not impossible. I think a settlement can be negotiated
24 between these two parties. I think there's got to be some
25 giving on both sides, but I don't want to tell you that we
26 are close to a settlement in thirty days or sixty days because

I don't think we would be. I remember when I was hired by the City a year ago and we talked about unitizing Fault Block II, and we had a target date of January 1, 1958. We moved it up to April first, then July first; now it is January 1, 1959 -- just because the complications of the problem are such that men are just too fallible. There are too many difficulties in the way when you are dealing with ten or twenty or thirty people, as there is in that particular problem. In this case, there is the same thing. We have some imponderables here we have to get over. I want you to understand the reason this has taken this long is not because of any negligence on our part or desire to delay, but just because the problem is too damn big for us to solve in a short time.

MR. CARR: I'd like to ask a question of Mr. Ball and also the Attorney General's representative. I think we should spell out here for everybody's benefit, especially mine because I have only been on the Commission since the first of August, what the pressures are here as to these actions.

Number one, of course, the City and the State of California are both vitally concerned in the repressurization program from the standpoint of salvaging the shipyard and we have a timetable to meet, I believe, on that; the halting of the subsidence -- which, although this is more of a local problem, nevertheless the economy of the State is definitely affected by that; and to that end we have also to determine somehow or other the tidelands boundary line because we are

1 under a mandate from the Legislature on that. It seems to me
2 with respect to these three things (and a few more, but these
3 three would be sufficient right now) that we are in something
4 of a bind timewise; and with Mr. Ball here, the City Council,
5 Harbor Commission, and every official body in the City of
6 Long Beach is represented, I think this is wonderful and I
7 think this is possibly the time to do this. Where do we sit
8 timewise as far as the impositions that have been placed upon
9 us by the Legislature, by the Navy, and others as to how much
10 time do we have to talk these things over? There are certain
11 things that seem to me have to be settled. Perhaps the law
12 suit can go on indefinitely, or the determination, but there
13 are certain things that have to be done; and I think the pres-
14 sure the State Lands Commission is under -- also the City of
15 Long Beach must feel the same pressure -- is to satisfy the
16 deadlines as to the repressurization program and the tidelands
17 boundary.

18 It's been mentioned here that the filing of a law suit
19 would be fatal to the unification of Fault Blocks II and III.
20 That raises the question of what stands between the City of
21 Long Beach and the unitization of Fault Blocks II and III
22 and why is filing a law suit fatal, and in the absence of a
23 law suit, what other pressures are being brought to bear?
24 What is being done to get these two fault blocks unitized?

25 In reply to Mr. Ball's first remark that the Lands
26 Commission shouldn't lose its temper, I don't think it's got

1 any. I think it's worn out. This hasn't been going on just
2 since the first of May or June. This has been going on for
3 fifteen years. I think the time is more than a few weeks or
4 months.

5 Can we have these questions determined and analyzed,
6 as to where we sit on what we set out to accomplish to save
7 the shipyard, and to solve the subsidence problem, and to help
8 the recovery of oil to help everybody -- the City of Long
9 Beach and the State of California? Where do we sit on this
10 matter? They all have to be taken into consideration.

11 I might add there was a further question or recommen-
12 dation asked by this formal document which we received --
13 which I take was public record; it certainly seemed to me to
14 be one. Well, I won't go into that now. We will get into that
15 later. What about these timetables. How can we satisfy these
16 timetables?

17 MR. BALL: You mean on the unitization of Fault
18 Blocks II and III?

19 MR. CARR: Take that in this order, Joe -- what
20 stands between the City of Long Beach and the unitization of
21 these Fault Blocks II and III, which are so important?

22 MR. BALL: Mr. Lingle has been sitting in on all of
23 these meetings and that's about all he does -- come up to Los
24 Angeles and sit in these committee meetings, and has for a
25 year, and probably can tell you the immediate problems.

26 MR. CARR: Just one remark -- don't sit down, Mr.

1 Lingle, Please

2 MR. LINGLE: I'd like to.

3 MR. CARR: You should all understand the situation
4 that the Lands Commission has been in, at least since I've
5 been on it -- that is, we could never find the right guy to
6 talk to. The last two meetings have been the only two I
7 attended and Mr. Brady came in and said they wanted more time.
8 That's a very fine thing, but more time for what? And that's
9 what we should do this morning -- determine what we want the
10 time for and how we are going to meet these various deadlines.

11 MR. LINGLE: I don't know where to start -- but,
12 briefly, whatever we draw up in this unitization agreement,
13 the chances are if we made a mistake we can never undo it
14 because you need the consent of so many people. It's impos-
15 sible to undo it. So we are trying to get the thing done cor-
16 rectly. At this time we are working on the final drafts of
17 a unit and operating agreement, but this is the second best
18 oil field in the United States. You have heard many of these
19 things before. You get into impossible -- I shouldn't say
20 "impossible" because we have worked them out -- you get into
21 tax problems that have to be worked out, where you have some
22 people paying taxes and others who are exempt; you have all
23 sorts of accounting problems; we have problems that we want
24 to be sure we don't alienate the tidelands in any way. We
25 hope, as the gentleman told you this morning, that we will be
26 done by the first of January. We are working on it four days

1 a week, as much as possible. You've got to have a little time
2 to go home and think over what you've done. I think each
3 lawyer in this group is representing his client as ably as
4 possible and yet he is representing it for getting it done
5 and there has been a great spirit. If you can imagine, there
6 have been about seven of us who have meeting for over a year
7 and we are still talking -- and we have to keep talking because
8 we all know we are representing our clients as strenuously as
9 we can. I think it is the biggest water flooding that's ever
10 gone on. There's more oil involved than in any unit. There
11 has never been a situation where a public body has gone into
12 a unit such as this. And when you put all these things to-
13 gether and realize probably if you do make a mistake you can
14 never undo it, we are trying to proceed with great problems
15 and yet trying to proceed as cautiously as we can, not to
16 jeopardize things.

17 It was determined, for instance, that there was a
18 possibility that we might find that the City of Long Beach
19 and you gentlemen's income is subject to State income tax and
20 we were going to be subject to it if the g. s were pooled and
21 sold. It was a shocking thing -- if we suddenly found our
22 income, your income, was going to be subject to a 52% income
23 tax.

24 We sure didn't realize some time ago when we asked
25 the Legislature for permission to go into a unit that there
26 would be problems such as these. Sure, there was a way to

1 ask for a tax ruling and that would cost millions of dollars.
2 so we took an extra few weeks not to spend so much money.
3 You have got to remember we are going in on this crash program.
4 We are not going in and putting in a little water and see
5 what happens. I think those of you who are going to Long
6 Beach this afternoon will see they are putting in stupendous
7 amounts that have never been put into an oil field, and as far
8 as I am concerned, I want to be sure we don't jeopardize the
9 State and City.

10 MR. CARR: May I ask whether Mr. Hartig's suggestion
11 with regard to obtaining special data on the analog computer
12 was that taken seriously?

13 MR. LINGLE: Sir, I am only a lawyer. I don't know
14 one way or the other on engineering problems.

15 MR. CARR: Maybe we can go into that later when you
16 are through.

17 GOV. ANDERSON: It is my understanding we have a
18 unitization agreement with a target date of January 1st, 1960.
19 Is that a realistic target or an unrealistic target? Are we
20 going to find there are so many legalistic problems that we
21 are going to have to delay it?

22 MR. LINGLE: I'd like to back up. We haven't any
23 target date. If we could get it done tomorrow, I'd like to
24 have it done. I was asked in the hall this morning. I hope
25 we can get it done by January first. We might not get it done
26 until June. I don't think any lawyer wouldn't tell you we

might not have some problem. We do hope that we can get it done and I would foresee that we wouldn't have a problem, but I am not that much of a prognosticator.

MR. CRANSTON: I'd like to ask one thing about those agreements. Say they are ready for signing at January first or whatever, at that point is certain litigation under consideration? Is there certain litigation Long Beach is going to start at that point?

MR. LINGLE: It's not our desire to start this litigation but as I believe both our office, Mr. Ball's office, and the Attorney General's office feel that such litigation -- with the State laws, that the litigation isn't necessary. However, there is so much money involved, hundreds of millions of dollars involved, that the private operators feel the State law ought to be tested. It was passed by the Legislature, but you are always subject to having it upset.

MR. CRANSTON: Let me ask this: The City of Long Beach has spoken to us through Mr. Ball this morning on the dangers of litigation.....

MR. LINGLE: That's different ...

MR. CRANSTON: Let me finish the question and then you respond. It's said by Mr. Ball if we were to launch a suit against the City at this time over the boundary lines, that this would jeopardize the antissubsidence program. Would a suit such as you speak of hurt the antissubsidence program?

MR. LINGLE: No. The suit he is talking about -- the

1 delay would be the private operators who worried about their
2 property rights, yet the suit to test it is to protect their
3 property rights. If you sue us, I agree with Mr. Ball --
4 unitization is going to be set back. If we file a test case --
5 it isn't "if" -- we have got to have a test case before we
6 get the City lands and the upland lands together.

7 MR. CRANSTON: Is there any difference of opinion
8 that any suit by Long Beach would endanger antissubsidence work?

9 MR. LINGLE: I can answer this

10 MR. CRANSTON: You answered. I'd like to hear if
11 anybody else has an opinion.

12 MR. BALL: I can say this: It not only will not
13 endanger subsidence, but the date the unitization agreement is
14 signed by all persons and is approved by the State Lands Com-
15 mission, the unitization will be in operation. This is the
16 plan: The operating agreement will go into effect immediately
17 with upland owners. A clause in the agreement that is planned
18 is that Long Beach may join the unit within a year and then
19 all activities will be dated back to the date when the units
20 went into unitization. Meanwhile, water injection will be
21 operative.

22 MR. CRANSTON: And nobody looks at this particular
23 form of suit as jeopardy to antissubsidence? (No response)
24 I'd like to get clear in my own mind a few points in regard to
25 the antissubsidence measure, which is obviously the most critical
26 matter before all of us here -- to save the Navy yard if we can.

1 First of all, who is in complete charge of the program? Is
2 there several different heads or is there one person who is
3 directing the antislubside and the water injection program?

4 MR. LINGLE: Long Beach has a man in charge. He
5 is ~~the~~ today. You have got to also remember Union Pacific has
6 approximately six hundred oil wells approximately in Fault
7 Blocks II and III.

8 MR. CARR: Is Union Pacific represented here today?

9 (No response)

10 MR. CRANSTON: Well, despite what may be the dif-
11 ferent interests involved here, is it recognized down there
12 that there is a master planner who recommends to the various
13 parties to go along with what is proposed?

14 MR. LINGLE: They meet weekly to decide what to do.
15 That's the way they got these co-ops to put water in the
16 ground now. As I tried to point out at the last meeting,
17 Long Beach is doing everything now that would be required
18 under the unit plan by virtue of these co-ops. We are inject-
19 ing tremendous amounts of water now.

20 MR. CRANSTON: Well, is the City of Long Beach, then,
21 the authority in general charge of the planning, subject to
22 the sovereign independence of certain individuals?

23 MR. LINGLE: No sir, it is done by mutual agreement.

24 MR. RIDINGS: I am Mr. Ridings, President of the
25 Board of Harbor Commissioners. I think as far as the City is
26 concerned, the responsibility is in charge of the Board of

Harbor Commissioners. Actually, the master plan for representation and unitization is that set forth by the State Oil and Gas Supervisor and the management of committees for Fault Blocks II and III are already operating on that approved plan. At the management level, I think virtually every problem has been solved; at the technical level, every problem has been solved. The greatest difficulty and the major holdback at the present time is to put into accurate, correct legal terminology all of the various policy decisions that have already been made by the management group. Actually, the management committee is the direct authority on the master plan -- the City is represented on that, the private interests are represented. All of these people are working under the specific approved plan made by the State Oil and Gas Supervisor for these two blocks.

The problem has been explained to me that the legal questions involved here are so great because of the complexity of the field; because of the peculiar character of the parties to it, specifically the City and the tidelands; because of the tremendous number of questions that are raised in a field as complex technically as this is, with its various zones and extreme faulting; that there is being created new laws so far as units and unitization are concerned and that the lawyers themselves (and there are some very, very capable ones for all parties) are meeting almost full time on this problem -- those problems that are delaying us. Once a particular problem

1 is solved, arriving at its solution new problems are revealed,
2 and they work on those. They are making good progress.

3 I have been particularly interested in checking with
4 our own people, but also these other people, to see that they
5 are putting forth all the effort it is possible to do so, and
6 I am convinced all parties, as well as the City, have the best
7 legal talent working as many hours and as hard and long as
8 they can on the problem. I am disappointed, as all of us are,
9 that the problems haven't already been solved; but I believe
10 they are arriving now at the last stages of it and there aren't
11 to my knowledge any new policies to be corrected or decided
12 other than legal terminology.

13 MR. CRANSTON: Insofar as the progress is concerned
14 in getting water under the surface, we get different kinds of
15 figures from different places and sometimes the same place,
16 and I'd like to know if we could get an answer to several
17 questions in a letter from Fred Zweiback, Executive Secretary
18 to the Lieutenant Governor, dated October 20th, to Charles
19 Vickers, Manager, Port of Long Beach: "I am confused when I
20 note the tabulations of the estimated water injection volumes
21 in the shipyard area which was attached to a copy of letter
22 dated October 4, 1959 from the Subsidence Control and Repres-
23 surization Administrator to Mr. Hortig, since these volumes
24 appear to be more than twice as much as the estimated volumes
25 tabulated in the subsidence bulletin of September 25, 1959."
26 What are the facts on this?

1 MR. RIDINGS: I believe I'll ask Mr. Roberts, our
2 director of subsidence, to answer.

3 MR. ROBERTS: I might say that I have talked to
4 Fred Zweiback on this and I think everyone is clear on this.
5 What is referred to, the bulletin referred to, was issued
6 a little before the month of September. During the month of
7 September and all prior months, we have all talked of the
8 critical shipyard area as being the entire Fault Blocks II and
9 III, and that's what the Navy has talked about and in all
10 their talks in Washington they have considered that entire
11 fault block. After that bulletin was issued, the Navy, on
12 the advice of their consultants, laid out a new area, which
13 is a reduced area -- actually includes the south flanks of
14 II and III, the center of II and III, and one well in Block
15 IV; and with this new area, it obviously changed the objectives.
16 It reduced them down to a total program of 153,000 barrels
17 per day and these figures that were provided later were imme-
18 diately after we re-analyzed it and sent a letter to Mr. Horig,
19 which I believe many of you have copies of, giving the new
20 figures revised on the new basis; and this, I might say, is
21 explained in the next issue of the subsidence bulletin, which
22 probably came into your mail about yesterday.

23 This is the way the program goes: At the end of this
24 month, we expect 326,000 barrels in the field as a whole, of
25 which 72,900 will be in this newly defined shipyard area
26 flood.