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TRANSCRIPT OF  
MEETING  
of  
STATE LANDS COMMISSION  
SACRAMENTO, CALIFORNIA  
APRIL 12, 1961

PARTICIPANTS:

THE COMMISSION:

Alan Cranston, Controller, Chairman  
Glenn M. Anderson, Lieutenant Governor  
John E. Carr, Director of Finance

F. J. Hortig, Executive Officer  
Don Rose, Executive Secretary to Lieutenant  
Governor Anderson

OFFICE OF THE ATTORNEY GENERAL:

Jay L. Shavelson, Deputy Attorney General

APPEARANCES:

(In the order of their appearance)

Joseph A. Ball, Esq.  
Representing Richfield Oil Corporation

R. W. Ragland, Vice President  
Richfield Oil Corporation

Miles W. Newby, Jr.  
Representing Texaco, Inc.

J. Barton Hutchins  
Representing Edwin Pauley Associates

Edmund D. Buckley  
Representing Tidewater Oil Company

George Ketchum  
Representing Mobil Oil Company

Elmore Hutchison, Consulting Engineer for  
Associated Contractors

Paul Home, Representing Standard Oil Company  
of California, Western Operations

I N D E X

(In accordance with Calendar Summary)

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<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
1 Confirmation of minutes of meetings December 22, 1960 and January 26, 1961			1
2 PERMITS, EASEMENTS, LEASES, AND RIGHTS-OF-WAY -- FEE			
(a) C. Edward Christofferson	17	1	1
(b) Howard P. Ritsch	16	5	1
(c) Del Monte Properties Co.	7	11	1
(d) John Grant	9	13	2
(e) Lee R. Miller	13	14	2
(f) Phillips Petroleum Co.	10	15	2
(g) Emerson A. Ray and Richard Castle	18	16	3
(h) Signal Oil & Gas Co.	3	17	3
(i) Signal Oil & Gas Co.	19	19	4
(j) Lindsey H. Spight	8	20	4
(k) U.S. Borax & Chemical Corp.	11	21	5
MOTION ON ITEM CLASSIF. 2 (except (a) and (b)----			6
3 CITY OF LONG BEACH			
(a) Pier E - Water mains under entrance channel and north of pier E (2nd phase)	2	23	6
(b) Approval first amendment to Unit Agreement Fault Block III, Wilmington Oil Field	20	25	7
4 Authorization to approve and record maps - Survey Mean High Tide Line Half Moon Bay	14	26	7

continued

## I N D E X

(In accordance with Calendar Summary)  
continued

3	<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
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7	6 Authorization to notify City Council, City of Coronado re value proposed annexation under Resolution 3191	21	29	12
10	7 Authorization for mineral extraction lease offer - Lentz Construction Company	15	30	13
13	8 Authorization to issue oil and gas lease to Texaco Inc. on Parcel 2, W.O.3810, Santa Barbara County	12	31	14
14	MOTION ON ITEM 8 -----			27-29
15	9 Authorization to offer Parcel 4, Santa Barbara County	4	33	31
17	10 Confirmation of transactions of executive officer:	1		32
18	Pauley Petroleum Inc. Standard Oil - Western Op.		34-35 34	
19	11 Report on legislation	22	36	32
21	12 Report on status of land sales programs	23	37	33
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23	14 Review of calendaring procedures	24	40	35
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25	15 Issuance dredging permit to Associated Contractors, Salt Works Canal, Richardson Bay, Marin Co.	25	46	43
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1 MR. CRANSTON: The meeting will please come to  
2 order. First item -- the confirmation of the minutes of the  
3 meeting of December 22, 1960 and of the meeting of January  
4 25, 1961. If there is no objection, those minutes will stand  
5 approved as submitted.

6 Item 2 -- Permits, easements, leases and rights-of-  
7 way issued pursuant to statutes and established rental and fee  
8 policies of the Commission.

9 MR. HORTIG: Mr. Chairman, as to Item 2(a), we have  
10 just received an inquiry and a series of questions relative  
11 to procedure from the Office of the Attorney General and,  
12 therefore, it is requested that action on item (a) be deferred  
13 until this can be discussed with the Office of the Attorney  
14 General.

15 MR. CRANSTON: If there is no objection that item  
16 will then go over. Item (b) -- Application of Howard P.  
17 Ritsch -- twelve two-year prospecting permits for minerals  
18 other than oil and gas.....

19 MR. HORTIG: Excuse me, Mr. Chairman. The same  
20 statement should have been made also with respect to item (b)  
21 as to necessity for discussion with the Office of the Attorney  
22 General, and we request that be deferred.

23 MR. CRANSTON: Without objection that item will  
24 go over. Item (c) - Del Monte Properties Company -- 15-year  
25 lease of 0.205 acre tide and submerged lands in Stillwater  
26 Cove, Carmel Bay, Pebble Beach, Monterey County, for a pier

1 for sole use of members and guests of Stillwater Yacht Club;  
2 annual rental, \$157.42. Any comments on that item?

3 MR. HORTIG: It is standard and in accordance with  
4 established policy and rules and regulations of the State  
5 Lands Commission.

6 MR. CRANSTON: Shall we proceed to the other items  
7 and vote on them altogether? Item (d) - John Grant -- five-  
8 year grazing and recreational lease, 290 acres recession lands  
9 in Owens Dry Lake, Inyo County; total rental, \$292.50.

10 MR. HORTIG: I wish to direct the attention of our  
11 Commission, Mr. Chairman, to the fact that the last five-year  
12 rental on this same property prior to reappraisal by the State  
13 Lands Division was \$50 for the total period. On reappraisal  
14 and in accordance with established rental policies of the Com-  
15 mission, this will be increased to \$292.50.

16 MR. CRANSTON: Item (e) - Lee R. Miller -- Permit to  
17 excavate approximately 150 cubic yards of material, at royalty  
18 of three cents per cubic yard, from small site in Corte Madera  
19 Creek, Marin County. Any comments on that one?

20 MR. HORTIG: Authorized by statute and in accordance  
21 with rules and regulations and policies of the Commission.

22 MR. CRANSTON: Item (f) - Phillips Petroleum Company --  
23 Geological survey permit from April 12, 1961 to October 12...

24 MR. HORTIG: Excuse me, '61 -- if you have that cor-  
25 rection, rather than '62; a typographical error.

26 MR. CRANSTON: ... on tide and submerged lands in area

1 lying between line one west from Point Arguello, Santa Barbara  
2 County, and the extension seaward of the northerly limits of  
3 the City of Newport Beach, Orange County. Any comments on that?

4 MR. HORTIG: No sir -- a standard application by  
5 Phillips to engage in geological exploration. Individual  
6 wells drilled under this permit are still subject to individual  
7 approval as to location and depth to which they would be  
8 drilled.

9 MR. CRANSTON: Item (g) - Applicant, Emerson A. Ray  
10 and Richard Castle -- approval of assignment to Beechie B.  
11 Walpole of Mineral Extraction Lease P.R.C. 1467.2, 160 acres  
12 school lands, San Bernardino County.

13 MR. HORTIG: The subject lease is a small mineral  
14 lease under which volcanic minerals are extracted for use as  
15 aggregate primarily.

16 MR. CRANSTON: Item (h) - Signal Oil and Gas Company --  
17 15-year lease, 9.71 acres tide and submerged lands in Carquinez  
18 Strait, Contra Costa County, for ultimate use as a shipping  
19 facility; annual rental, \$3,471.13.

20 MR. HORTIG: As outlined on the agenda item, pages  
21 17 and following, this is a proposed expansion of operations  
22 in that there is a consolidation of two parcels of land for-  
23 merly leased to Signal; the applicant having acquired the ad-  
24 joining upland for future usage, desires this expanded type of  
25 operation and in accordance with appraisals of the land values  
26 at this time in order to establish this shipping facility.

1 MR. CRANSTON: Item (1) - Signal Oil and Gas Com-  
2 pany -- Approval of location and construction of a stationary  
3 pile-supported drilling and production platform approximately  
4 7,000 feet from shore within area of Oil and Gas Lease P.R.C.  
5 425.1, Huntington Beach Field, Orange County.

6 MR. HORTIG: As the Commission is aware, Signal Oil  
7 and Gas Company are the principal lessee of the State Lands  
8 Commission in the Huntington Beach area of Orange County and  
9 in connection with the additional development of existing  
10 leases it has been determined to be desirable and necessary  
11 that a platform be placed offshore 7,000 feet -- offshore  
12 roughly a mile and half -- in order to permit the most effec-  
13 tive development of these leases, which have been in existence  
14 in the majority of cases (the leases have) since 1938. All  
15 requisite approvals or nonobjections from the Department of  
16 Natural Resources, U. S. Army Corps of Engineers, etcetera,  
17 have been obtained.

18 GOV. ANDERSON: How far is that from the next near-  
19 est, the other island out there?

20 MR. HORTIG: Hazarding a guess, about six miles  
21 down the coast, Governor.

22 GOV. ANDERSON: South.

23 MR. CRANSTON: Any further questions or comments on  
24 that item? (No response) If not, we move on to item (J) -  
25 Lindsay H. Spight -- Approval of sublease under P.R.C. 2364.2  
26 to Peterson Tractor Company for installation of a mobile repeater

1 MR. HORTIG: The essential item to bring to the atten-  
2 tion of the Commission in connection with this item, which is  
3 for additional usage of an existing State lease on top of Mt.  
4 Diablo, is the fact that the Communications Division of the  
5 Department of Finance have reported there is no objection to  
6 this sublease in terms of the operation creating any difficulties  
7 in connection with State communications already existing on  
8 Mt. Diablo.

9 MR. GRANSTON: Item (k) - U. S. Borax and Chemical  
10 Corporation -- Extension of term of Mineral Extraction Lease  
11 P.R.C. 736.2, Inyo County, at royalty rates as specified, for  
12 ten years commencing May 11, 1962, pursuant to Section 18 of  
13 the lease, to explore and develop new areas of the mine.  
14 Any comments on that?

15 MR. HORTIG: Since May the 11th, 1922 there has been  
16 a mineral extraction lease on the subject lands held by the  
17 predecessors in interest to U. S. Borax and Chemical Corporation,  
18 who currently hold the last extension of the particular lease.  
19 The company has been in the process of developing new market  
20 utilizations for the product which is mined, which is an in-  
21 soluble borate; and in order to be certain that the additional  
22 capital improvements to further develop the market would be  
23 justified, desire to be assured that they will receive, as  
24 they are entitled under law, consideration by the Lands Commis-  
25 sion for a ten-year extension of the lease starting May 11,  
26 1962, the applicant desiring to be certain that this extension

1 will be granted in order that they can proceed immediately  
2 with their capital investment and extension of the operation.

3 And, in connection with the proposed extension, in-  
4 asmuch as it is, under the statute and in the lease terms,  
5 under such terms and conditions which the Commission may pre-  
6 scribe, it is proposed that the royalty schedule be revised  
7 upward to reflect the improvement in the value of the product  
8 and the improvement in the marketability of the product which  
9 will be mined in the future as a result of the extension of  
10 these operations.

11 GOV. ANDERSON: I move those items under Classifica-  
12 tion 2, except (a) and (b).

13 MR. CARR: Second.

14 MR. CRANSTON: Approval of all items, with the excep-  
15 tions noted, under Item Classification 2 has been moved,  
16 seconded and made unanimously.

17 We come to Item Classification 3 -- City of Long  
18 Beach: (a) Project is Pier "E" -- Water mains under entrance  
19 channel and north of Pier "E" (2nd phase); estimated subproject  
20 expenditure from 4/12/61 to termination of \$240,000 with 78%  
21 or \$187,200 estimated as subsidence costs. Any comments on  
22 that item?

23 MR. HORTIG: This is a standard application by the  
24 City of Long Beach for advance approval of a project, as  
25 authorized by Chapter 29 of the Statutes of 1956.

26 MR. CRANSTON: Any comments from anyone else on this

1 project (a)? (No response) If not, Project (b) -- Approval  
 2 of first amendment to Unit Agreement, Faust Block III, Wil-  
 3 mington Oil Field, to change the interim equity amounts so  
 4 that they conform more nearly to the final revised equity  
 5 amounts for the various producers. Any comments on that item?

6 MR. HORTIG: Yes sir. With your approval, Mr. Chair-  
 7 man, it is recommended that the recommendation be modified to  
 8 read that "It is recommended that the Commission approve the  
 9 first amendment to Unit Agreement, Faust Block III, Wilmington  
 10 Oil Field, Los Angeles County, California, subject to the con-  
 11 dition that the City submit: (1) Evidence that all other parties  
 12 to the agreement have agreed to the amendment."

13 This modification is recommended because the original  
 14 condition proposed, requiring approval subject to resolutions  
 15 by the City Council and the Harbor Department, is now redundant  
 16 because since the preparation of this calendar item these reso-  
 17 lutions have been received by the State Lands Commission.

18 MR. CRANSTON: Any comments on this item? (No  
 19 response) If not, motion is in order.

20 GOV. ANDERSON: I move it.

21 MR. CARR: Second.

22 MR. CRANSTON: Approval is moved, seconded and made  
 23 unanimously.

24 Item Classification 4 -- Authorization for Executive  
 25 Officer to approve and have recorded Sheets 1 through 9 of  
 26 maps entitled "Survey of the Mean High Tide Line Along the

1 Shore of Half Moon Bay, San Mateo County, California," dated  
2 January 1959. Any comments on that item?

3 MR. HORTIG: Pursuant to statutory grant of area off-  
4 shore from Half Moon Bay, San Mateo County to the San Mateo  
5 County Harbor District, which by statute required survey by  
6 the State Lands Commission at the cost of the grantee, such  
7 survey was completed and prints in reduced size of the sheets  
8 as completed are attached to your calendar item and require  
9 authorization to approve and record in accordance with the  
10 grant statute requirements.

11 MR. CRANSTON: Any comments on Item 4?

12 GOV. ANDERSON: I move it.

13 MR. CARR: Second.

14 MR. CRANSTON: Approval is moved, seconded, and  
15 made unanimously.

16 Item 5 -- Authorization for Executive Officer to  
17 notify City Council of City of Half Moon Bay that present value  
18 of State-owned tide and submerged lands in Pacific Ocean, San  
19 Mateo County, proposed to be annexed under Resolution No. 4-61  
20 is \$3,321,000; and that proposed annexation may not be in best  
21 interest of the State and the previously interposed protest is  
22 to remain in full force and effect. Any comments?

23 MR. HORTIG: Mr. Chairman, after grant of lands by  
24 the State Legislature to the San Mateo Harbor District, annexa-  
25 tion proceedings were undertaken by the City of Half Moon Bay  
26 to expand former upland area in the city to approximately double

1 and to include a large area of tidelands within the proposed  
 2 new city limits, including those tidelands previously granted  
 3 by the Legislature to the San Mateo County Harbor District.

4           The statutes require that in proposals to annex un-  
 5 inhabited tide and submerged lands under the jurisdiction of  
 6 the State Lands Commission that, for purposes of determining  
 7 the valuation of those lands in connection with any protest to  
 8 annexation proceedings, the State Lands Commission shall make  
 9 such valuation and report to the annexing agency. This is the  
 10 first part of our proposal -- to authorize the report to the  
 11 City Council of the City of Half Moon Bay that the value of  
 12 the lands proposed to be annexed under Resolution Number 4-61  
 13 is \$3,321,000.

14           We have also received from the San Mateo County  
 15 Harbor District, a political subdivision of the State, objec-  
 16 tions and protests, suggesting that the proposed annexation  
 17 may not be in the best interests of the State because of encum-  
 18 brances which the Harbor District might have imposed on their  
 19 activities under the State statutes as a result of being annexed  
 20 into a city and being subject, therefore, at least to some  
 21 approvals, if not direct control, of the City Council of the  
 22 City of Half Moon Bay.

23           This latter facet is strictly not a problem directly  
 24 within the concern of the State Lands Commission, but the  
 25 Harbor District, at least, felt they had no other forum within  
 26 which to report the interrelationship of these problems if

1 in connection with this report of valuation to the City Council  
2 of Half Moon Bay they were not permitted to report their prob-  
3 lem to the Commission in connection with convincing the Commis-  
4 sion whether the Commission should or should not protest the  
5 annexation on the basis of State policy; because with this  
6 valuation, the State Lands Commission would be in a position,  
7 if they protested, to block the annexation.

8           Therefore, the last half of this item is primarily  
9 to afford the San Mateo County Harbor District to present their  
10 problems and, as they see it, the solution that the Lands Com-  
11 mission could afford them. For this reason, they have been  
12 notified that this item was on the agenda and if the Chairman  
13 would call upon the proponents and opponents of this item who  
14 are present here today we can get the matter before the Com-  
15 mission in that manner.

16           MR. CRANSTON: Is there anyone who wishes to be  
17 heard on this matter? Is there anyone in the room that wishes  
18 to be heard on this matter involving Half Moon Bay? (no  
19 response)

20           MR. HORTIG: Well, under those circumstances, then,  
21 Mr. Chairman, it is recommended that the resolution on page 28  
22 be modified to read only:

23           "It is recommended that the Commission authorize the  
24 Executive Officer to notify the City Council of the City of  
25 Half Moon Bay that (1) Pursuant to the provisions of Section  
26 35313.1 of the Government Code, the State Lands Commission has

1 determined the present value of the State-owned tide and sub-  
2 merged lands proposed to be annexed under Resolution No. 4-61  
3 to be \$3,321,000" -- end of resolution; and then, parenthetically  
4 the staff will notify the City Council of the City of Half Moon  
5 Bay that the State Lands Commission did not authorize the staff  
6 to request the protest to the annexation to continue in effect

7 GOV. ANDERSON: Has the San Mateo County Harbor Dis-  
8 trict been fully notified of this? Were they informed of this  
9 meeting today?

10 MR. HORTIG: Yes sir, they have a copy of this agenda  
11 item.

12 MR. CRANSTON: To be clear on that figure it is  
13 three million, three hundred twenty-one thousand?

14 MR. HORTIG: Three million, three hundred twenty-one  
15 thousand.

16 MR. CRANSTON: A motion is in order to approve the  
17 recommendation made by the Executive Officer.

18 MR. CARR: I move approval of the recommendation.

19 GOV. ANDERSON: When you notify them, you just send  
20 this individual item to the Harbor District group, or how do  
21 you notify them?

22 MR. HORTIG: And to the City Council; and in view of  
23 the fact that the - - If you will excuse me a moment, gentlemen,  
24 I have the file before me. I have a note from my secretary  
25 also that a Mr. Whiting, Half Moon Bay attorney, called our  
26 chief land appraiser and reported that he might appear in

\*originally stated in error as "Three thousand, three hundred  
twenty-one thousand

1 Sacramento tomorrow. This is a telephone message as of  
 2 yesterday; and we have had extensive correspondence with other  
 3 attorneys on behalf of both private landowners and the Half  
 4 Moon Bay Harbor District, as has the Office of the Attorney  
 5 General -- all of which have been replied to specifically by  
 6 letter to the individuals directing them, plus the final con-  
 7 firmation I just read to you that there was telephonic veri-  
 8 fication as late as yesterday that the attorney of the Harbor  
 9 District knew that this item would be considered by the Com-  
 10 mission today.

11 GOV. ANDERSON: Second.

12 MR. GRANSTON: Approval is moved, seconded and made  
 13 unanimously.

14 Item 6 -- Authorization for Executive Officer to  
 15 notify City Council of City of Coronado that present value of  
 16 State-owned tide and submerged lands in the Pacific Ocean,  
 17 San Diego County, proposed to be annexed under Resolution No.  
 18 3191, is \$4,400,000.

19 MR. HORTIG: The annexation business, obviously, is  
 20 good. In this instance there are no conflicting problems due  
 21 to protests in connection with the annexation. Therefore, it  
 22 is recommended only that the Commission authorize the Executive  
 23 Officer to advise the city pursuant to its request, and as  
 24 provided by law, as to the valuation placed on the proposed  
 25 annexation lands by the Lands Commission.

26 MR. CARR: Mr. Chairman, I'd like to understand the

1 purpose of this. Is that simply to give the City of Coronado  
2 jurisdiction over these tidelands?

3 MR. HORTIG: Yes sir.

4 MR. CARR: For construction of piers?

5 MR. HORTIG: That is correct and still then they are  
6 subject to Corps of Engineers....

7 MR. CARR: It would be subject to approval of the  
8 State Lands Commission?

9 MR. HORTIG: Despite the annexation, all construction  
10 would be subject to Commission approval.

11 MR. CRANSTON: Moved and seconded, unanimously  
12 approved.

13 Item 7 -- Authorization for mineral extraction lease  
14 offer, 6.6 acres submerged lands in bed of Sacramento River,  
15 Sacramento and Yolo Counties, for extraction of sand at minimum  
16 royalty of five cents per cubic yard, pursuant to application  
17 of Lentz Construction Company, Inc.

18 MR. HORTIG: This authorization is recommended par-  
19 ticularly in view of the fact that the application has been  
20 reviewed, found to be legally sufficient by the Office of  
21 the Attorney General; the Department of Natural Resources have  
22 reported there is no possible interference with recreational  
23 use of the land; and the Corps of Engineers of the Department  
24 of the Army has issued a permit authorizing the proposed opera-  
25 tion as not interfering with navigation; and the Department of  
26 Fish and Game have also submitted a letter of nonobjection to

1 the proposal.

2 MR. CRANSTON: Any further comments on this item?

3 (No response) A motion is in order.

4 GOV. ANDERSON: I will make a motion.

5 MR. CARR: Second.

6 MR. CRANSTON: Approval is moved and seconded, made  
7 unanimously.

8 Item 8 -- Authorization for Executive Officer to  
9 issue Oil and Gas Lease to Texaco Inc., for the 4,250.14-acre  
10 parcel of tide and submerged lands designated as Parcel 2,  
11 Work Order 3810, Santa Barbara County, in consideration of  
12 cash bonus payment of \$9,550,000.

13 MR. HORTIG: Mr. Chairman, in view of the invitation  
14 which you, as Chairman of the Lands Commission, issued to  
15 industry having interest in the problems of core drilling  
16 operations, which have brought implications with respect to  
17 the issuance of State oil and gas leases and have been the  
18 subject of a series of letter protests, I would like to sug-  
19 gest your consideration at this time, for the purpose of having  
20 discussion on your invitation, to withhold consideration of  
21 Items 8 and 9 on the agenda until the discussion which I pre-  
22 sume would follow your invitation has been completed.

23 MR. CRANSTON: Yes. Let me first state, then, that  
24 I received, and others received similar letters of March 29th,  
25 letter dated March 28th signed by Edwin W. Pauley raising  
26 certain questions in regard to the leasing procedures followed

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on Parcel 2, the parcel here under consideration. Upon receipt of that letter, I wrote a letter to all companies to which geological survey permits have been issued since July 30, 1959, which read as follows: "Dear (So and So): I enclose a copy of a letter from Edwin W. Pauley, dated March 28, 1961, addressed to me in my capacity as Chairman of the State Lands Commission. The Commission will meet in Sacramento on April 12th at 10 a.m. in Room 2170, State Capitol. If your company has any views to discuss on the subject of the letter from Mr. Pauley, the Commission will appreciate your views at the April 12th meeting."

Subsequent to that time, the following communications have been received by the Lands Commission:

First, a letter from the law offices of Ball, Hunt and Hart, transmitting to the Lands Commission a formal protest in the name of the Richfield Oil Corporation against the awarding of an oil and gas lease on Parcel 2 to Texaco. Richfield also request in this letter that bidding on Parcel 3, set for April 6, 1961, be deferred. Various reasons are then set forth in the communication for this action. The letter was received by the Lands Commission too late for any meeting to be held to consider the request as far as Parcel 3 went, insofar as accepting bids were concerned and bids were accepted on April 7th on Parcel 3 -- and, incidentally, Richfield Oil Company was apparently the high bidder, although that has not yet been determined.

Other letters received were from: Tidewater Oil Company, addressed to the State Lands Commission April 6th, signed

1 by Edmund D. Buckley, attorney for Tidewater; (This and other  
2 letters I will mention do not amount to formal protests --  
3 they simply make certain comments)

4 Another letter from Mobil Oil Company, dated April  
5 6, signed by R. F. Lavenant, Jr., who is apparently on their  
6 board;

7 Letter dated April 10th from Standard Oil Company  
8 of California, Western Operations, Inc., signed by Mr. H. G.  
9 Vesper;

10 A letter phoned in this morning, dated April 11th,  
11 from Humble Oil and Refining Company, Monterey Division,  
12 signed by E. E. Pyles, Vice President Monterey Division;

13 And, finally, a letter from Texaco, Inc., dated  
14 April 11th, signed by Buford W. Max. This letter constitutes  
15 a reply by Texaco to the statements made in the letter by Mr.  
16 Ball in the letter on behalf of Richfield Oil Corporation.

17 At this time we would be very happy to hear from  
18 anyone representing any firm who wishes to make any comments  
19 to the Lands Commission pursuant to the letter inviting such  
20 comments at this meeting.

21 MR. BALL: Mr. Chairman, my name is Joseph A. Ball.  
22 I represent the Richfield Oil Corporation and I might say  
23 this -- that the exploration on the coast, as you probably know,  
24 was (to which we had reference in our letter) by a group known  
25 as the GORSH group, which now by reason of a change of name  
26 is known as the STORM group -- Signal, Tidewater, Richfield,

1 Mobil -- but in the bidding on Parcel 2, Richfield Oil Corpora-  
 2 tion alone bid that; was the unsuccessful bidder and did not  
 3 bid for the group. So as I speak now on this agenda item  
 4 Number 8, I speak only for the Richfield Oil Corporation and  
 5 not for the STORM group.

6 I will not repeat the facts, consider the facts,  
 7 stated in our letter of protest because they are well known to  
 8 you and you can consider them; but I do want to say this --  
 9 that is, it seems to me that what occurred on Parcel 2 does  
 10 bring back for the consideration of the Commission a matter of  
 11 policy as to how these State leases are to be put out for bid.

12 Now, in making this statement I'll assume certain  
 13 facts, which I can't prove -- and you know whether they are  
 14 true or not because these matters are confidential. I will  
 15 assume that the core hole which was drilled by the Texas Com-  
 16 pany, which is the subject of this dispute, penetrated the  
 17 Vaqueros sand and found oil sand, so at that time the Texas  
 18 Company had more information on the character of the particular  
 19 parcel than other bidders, which I say with no criticism except  
 20 I say at that time, if that is the case, Texas was in a better  
 21 position to bid than anyone else; but the State Lands Commission  
 22 was also in a position to determine the value of that parcel  
 23 because your geologists and engineers, with that information  
 24 available and other core holes available, knew the value of  
 25 that property.

26 It brings back what we have said before and we again

1 wish to urge it -- which is, when you do determine a parcel  
2 is valuable, determine it's valuable, whether you would not  
3 gain more for the State, get more out of the reservoir for the  
4 State by a minimum bid with royalty bidding, than with the  
5 present method of bidding under which the different companies  
6 scramble to see how much they can pay in more bonus. That's  
7 a matter of policy, purely.

8 I must also again state that my remarks are predi-  
9 cated upon facts of which I have no knowledge -- but you do.  
10 I have to assume when a bid comes in for \$9,550,000 there is  
11 evidence before the Texas Company management that this is a  
12 valuable oil land. I have to assume also this State Lands Com-  
13 mission has that same information. If you have that same  
14 information, you are in a position to determine what is the  
15 best policy of bidding on that parcel.

16 Now, with reference to the various items of the  
17 protest that we urge in our letter on Parcel 2, we say this:  
18 We assume that the State Lands Commission and the Executive  
19 Officer and his staff attempt to give all oil companies who  
20 are engaged in core drilling on the coast equal opportunity  
21 and access to information. We also assume that in the future  
22 your policy will be the same -- that you will attempt to give  
23 us all the same access, so we will be in an equal position of  
24 bidding. We don't think we were in an equal position on  
25 Parcel 2. We don't think we had the information Texas had.

26 The question, therefore, arises as to whether or not

1 this present method, this present permit that's issued, which  
 2 permits the core hole to go to a certain depth in accordance  
 3 with the judgment of your staff, does give us all equal informa-  
 4 tion. In the permit it states that if you encounter oil sand  
 5 you shall immediately withdraw and plug back. I suppose that  
 6 is so no one will have a complete log before the bidding starts.

7           Again, I repeat what we said in our protest. If we  
 8 criticize the procedure, it is upon facts we don't know because  
 9 obviously we assume the Texas Company did penetrate the Vaqueros  
 10 sand and there was not oil, otherwise they would have plugged  
 11 back and withdrawn. We are assuming matters not before us.  
 12 It was in our permit and assume it was in theirs. If they did  
 13 not, they obtained information that we did not.

14           Our protest on Parcel 3 was not based upon facts.  
 15 We assumed, because of information received by the Texas Company  
 16 on core hole two they would gain information on three. I will  
 17 say Mr. Hortig told me that was not the case -- we were six  
 18 miles away, some distance away, and this was not so.

19           It so happens we were on an equal basis on 3, because  
 20 Richfield was the successful bidder -- with which we are well  
 21 satisfied and we wouldn't care to disturb that bid one bit.

22           MR. CRANSTON: Mr. Ball, do we understand you have  
 23 withdrawn Richfield's formal protest insofar as Parcel 3 is  
 24 concerned?

25           MR. BALL: Insofar as Parcel 3 is concerned.

26           MR. CRANSTON: Do we understand you leave standing

1 the protest insofar as Parcel 2 is concerned?

2 MR. BALL: Yes, we leave standing our protest on 2  
3 on behalf of the Richfield Oil Corporation, not on behalf of  
4 the other group or the bid on Parcel 3.

5 MR. CRANSTON: Thank you very much. I note that Mr.  
6 Ragland of Richfield is with us. Do you have any further com-  
7 ments to make?

8 MR. RAGLAND: No, Mr. Cranston, I do not.

9 MR. CRANSTON: Is there anyone who wishes to make  
10 any comments to the Lands Commission?

11 MR. NEWBY: Mr. Chairman, members of the Commission,  
12 my name is Miles W. Newby, Jr. I am an attorney for Texaco.

13 MR. CRANSTON: Would you repeat your name?

14 MR. NEWBY: Newby, Jr. I have only a few remarks to  
15 add to what we presented to the Commission in our letter which  
16 you have received. I only wish to point out this -- that there  
17 has been no charge that the bid proposal on Parcel 2 was issued  
18 other than in conformity with the statutes. There has been no  
19 suggestion that Texaco's bid on Parcel 2 did not conform to  
20 the terms and conditions contained in the bid proposal for  
21 Parcel 2.

22 There is one other point I think I should discuss  
23 and that is, whether it is to the best interests of the State  
24 for the Lands Commission to award the bid to Texaco. I think  
25 I should say only this -- that Parcel E, which adjoins Parcel  
26 2 on the west, was awarded to the Pauley-Phillips group on a

1 bid of something over five million dollars. Parcel 3 --  
2 which, of course, adjoins Parcel 2 on the east, is the subject  
3 now of a lease which may be awarded to Richfield on a bid which  
4 I understand is approximately a million, three hundred fifty-  
5 five thousand dollars. Texaco has offered to pay a bonus, has  
6 made a bid, of \$9,550,000 for Parcel 2, the parcel in between  
7 those two previously mentioned properties. I think it is ob-  
8 vious that it is to the best interests of the State that the  
9 Lands Commission award Parcel 2 to Texaco.

10 MR. CRANSTON: Thank you very much. Is there anyone  
11 else who wishes to make any comments?

12 MR. CARR: Just for information, Mr. Chairman, I'd  
13 like to ask a question here: What was the bid on "D", Mr.  
14 Hortig?

15 MR. HORTIG: Just a moment, Mr. Carr.

16 MR. CARR: That's some time ago.

17 MR. ROSE: What do you mean by "D"?

18 MR. HORTIG: That's the parcel immediately east of  
19 Parcel 3.

20 MR. CARR: That's already on lease to Texaco.

21 MR. ROSE: \$23,711,538.00.

22 MR. CARR: \$23,000,000 on "D" and nine million and  
23 a half on 2, looks like the bid on 3 would be very low to me.

24 MR. ROSE: Incidentally, on "D", Mr. Carr, besides  
25 the \$23,700,000 bid, the bid right behind it was \$22,150,000.  
26 There was also a twelve million and a ten million bid.