had decided to plug the hole; that their technical staff felt that while they plugged the hole and moved away with the drilling equipment, if subsequently they received any authorization to drill deeper that they could enter the hole and drill to a deeper depth, even as applied for today to the Commission.

You note that April the 14th was Friday. This would have made April the 17th the Monday, on which it was reported that the written application by Richfield would be received by State Lands. The first receipt of any material by State Lands Division was subsequent to that time, was this letter of protest of April the 25th.

GOV. ANDERSON: Supposing the information of the request was given to you at 4:45 on Tuesday -- how much time would you have asked them to wait then, instead of on Friday? Is this because it was Friday evening that there was a delay?

MR. HORTIG: No sir, because of the necessity of staff re-evaluation and consultation with the Attorney General's office in view of the other pending protests with respect to the core hole drilling procedure; and at a time when the Attorney General's office had not yet completed its conclusions and had not yet reported to the Lands Commission as to what practices the staff should follow; and our prior standard practices having been questioned, it was felt that the practices or their perpetuation needed very careful scrutiny so as not to add any new bases for protest.

1 GOV. ANDERSON: Is this the first time that they
2 stopped someone that they didn't wish to go further? Have
3 you always made them do it in writing in the past?
4 MR. HORTIG: No sir, we have never had an application
5 for extension, verbally or in writing, or a demand to drill
6 deeper after they had been suspended in accordance with the
7 terms of the permit.
8 GOV. ANDERSON: In other words, you stopped them at
9 a certain depth and they did not pursue it because you told
10 them they were at the end?
11 MR. HORTIG: I must assume that.
12 GOV. ANDERSON: And this is the first time they
13 went beyond and made oral request and put it in writing?
14 MR. HORTIG: That's right.
15 GOV. ANDERSON: And heretofore you asked them to
16 put it in writing?
17 MR. HORTIG: That would have been right. We never
18 had the question to proceed after an order to shut down.
19 Mind you, Governor, these stop orders during the course of
20 drilling core holes have been a minimum as compared to the
21 total number of core holes drilled.
22 GOV. ANDERSON: I would assume in almost every case
23 there would be a stop order...
24 MR. HORTIG: No sir.
25 GOV. ANDERSON: ... where they find something.
26 MR. HORTIG: Where they find something.

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GOV. ANDERSON: Any time they run into something you are going to stop them; they are going to want to go further -- that's natural.

MR. HORTIG: My point was that of the total number of core holes permitted to be drilled, only a limited number have encountered the control conditions under the permit.

GOV. ANDERSON: This is one last general question: I wonder why we were not informed of this communication at the May 4th meeting, when it came in on the 25th?

MR. HORTIG: I am not clear at the moment as to the actual date of receipt of this protest. However, this specific letter was considered as a portion of the matter considered by the Attorney General and reported to the Commission as a matter of policy and procedure at the meeting of May 4th.

MR. ROSE: This letter?

GOV. ANDERSON: Was this letter made a matter of record?

MR. HORTIG: It had been offered to the Office of the Attorney General for study.

MR. ROSE: But not to the Commission.

MR. HORTIG: No sir.

GOV. ANDERSON: I am not too sure it would have changed our action, but at least the contents of the letter should have been made available to us inasmuch as it was addressed to the Commission; and it might or might not have

1 affected the action at that meeting. That was the concern
2 here -- that it opened up on my part -- that it wasn't at the
3 May 4th meeting.
4 MR. HORTIG: If I may have a moment, Governor - -
5 On April 26th letter to Mr. Joseph Ball from me stated:
6 " This will confirm the receipt of your letter of
7 April 25, 1961 on behalf of Richfield Oil Corporation,
8 requesting that Richfield be permitted to complete
9 core hole Gaviota Number 5 to the same stratigraphic
10 depth as Texaco 7D50 and that bidding be deferred
11 until Richfield and all other interested parties have
12 been given an opportunity to obtain the same informa-
13 tion as Texaco.
14 Inasmuch as the bases for approval of specific
15 core hole drilling proposals are currently under study
16 by the Office of the Attorney General in a review of
17 the geological exploration program and its relation to
18 the award of oil and gas leases, your letter has been
19 referred to the Office of the Attorney General for
20 consideration in this review. Your request will be
21 processed immediately upon receipt and analysis of
22 the aforesaid review report from the Office of the
23 Attorney General."
24 Carbon copies to Chairman Cranston, Member J. E. Carr, and
25 Member G. M. Anderson; and on that same date the letter had
26

1 been forwarded to the Office of the Attorney General and had
2 been included in the considerations which resulted in the
3 recommendation and our referenc es in the confidential report
4 by the Attorney General's Office to the Commission.
5 As a result of that consideration by the Commission
6 on May 4th, it has been the staff conclusion that with the
7 adoption of the emergency rules and regulations and the dis-
8 cussion which was had before the Commission, including the
9 discussions by Richfield Oil Corporation which were made to
10 the Commission on that date, that this entire problem had
11 been disposed of.
12 Subsequent to the meeting, Mr. Heggeness (here
13 present today) inquired whether there would be specific Com-
14 mission consideration and specific reply, separately from the
15 sum total discussion that the Commission had on May 4th,
16 based on the contentions of their letter of April 25, 1961;
17 and I thereupon assured him that inasmuch as this was desired
18 that this would be brought back to the Commission as a specific
19 item, and this is the first meeting we have had since that
20 conclusion on May 4th.
21 GOV. ANDERSON: You sent the letter, then, to Mr.
22 Ball, acknowledging his letter and telling him you had referred
23 it to the Attorney General and you sent each of us copies of
24 your letter acknowledging receipt of it?
25 MR. HORTIG: That's correct.
26 GOV. ANDERSON: But we did not see the letter itself

actually until it came to us yesterday?

MR. HORTIG: Until it arrived with your exhibits on your supplemental calendar items delivered this week.

GOV. ANDERSON: Why could we not have received that letter with the same marking of "Confidential" and that it had been referred to the Attorney General's office for study and advice?

MR. HORTIG: You could have. The practice, as I discussed it with you earlier this week, had been heretofore -- and the problem never having been raised under any other circumstances -- the practice from a standpoint of security of data had been to hold individual copies only of confidential material in the locked files of the Lands Commission -- available, of course, to the Commissioners if they desired to review the specific data, and to bring this to the attention of the Commission -- which was the reason for the copies of the letter to Mr. Ball-- that such a letter had been received and had been referred to the Office of the Attorney General; and the substance and the legal effect on the proceedings of the Commission were reported on to you gentlemen at the meeting of May 4th, or immediately preceding, by the confidential report of the Office of the Attorney General.

We have not heretofore -- and this has been the first exception -- distributed confidential information to the Commissioners except on their request, simply as a security matter in order to obviate the necessity of keeping track of

1 numerous copies of this type of data.

2 GOV. ANDERSON: In this case we got the report,
3 the confidential report, a report of the Attorney General,
4 on some things that we took action upon two or three weeks
5 before we got to see the initial letter of protest in this
6 case.

7 MR. HORTIG: Except that the substantive matter of
8 the protest was considered by the Office of the Attorney
9 General and reported on to you in his report, which you had
10 prior to May 4th.

11 MR. CRANSTON: We took no substantive action on
12 this particular matter relating to Parcel 4, did we?

13 MR. HORTIG: No sir, you have not yet -- to this
14 moment you have not.

15 MR. CRANSTON: The actions we took related to
16 other parcels.

17 GOV. ANDERSON: Yes, but it's all related. I have
18 learned a few things today that I didn't learn at that meeting.
19 Maybe I am slower. I have no further questions.

20 MR. HEGGENESS: Could I make one comment in response
21 to what Mr. Hortig said? That is this: I interpreted Mr.
22 Hortig's remarks as being somewhat in criticism of what
23 Richfield's attitude was on April 14th, Friday afternoon.
24 Remember this -- it costs approximately five or six thousand
25 dollars a day standing out there in the ocean waiting for a
26 decision of the Lands Commission, so had Richfield waited for

a decision of the Commission until Tuesday, it would have incurred an expense of twenty or twenty-five thousand dollars. It was for that reason that Richfield decided to pull off the well and submit the matter for decision by the Commission.

MR. CARR: Mr. Chairman, I'd like to comment on that. I think this is a chain of circumstances here which involves no blame on the Richfield Oil Company or the staff or the Commission. The fact that this shutdown occurred on Friday afternoon is just a matter of, in point of time, where they got to this place.....

MR. HEGGENESS: That's right.

MR. CARR: ... which, in the judgment of the staff, was the place to suspend them. I would be very sympathetic with any rules or any procedure which we could adopt which would remove that hazard from the exploration and drilling for oil, but I don't think we can do it. That's simply the way the ball bounces. I certainly sympathize with the decision of the staff that because of the delicate nature of this piece of information, I believe a written request for reversal of the order to stop was in order. I would hesitate to urge the staff to respond to oral requests over the telephone in a matter as important as extension or modification of existing practices and regulations.

I think in equity, it seems to me that the adoption of these new regulations and this policy which is backed up by these new regulations is going to give everybody an equal

chance to information. As we have been able to determine so far, this really covers this, don't you think so?

MR. HEGGENESS: Mr. Carr, I am not sure the regulations cover the specific problem before you. I find nothing in the regulations pertaining to the procedure before the Lands Commission of permitting further drilling, except where the hole is drilled at the same location. By "same location" if you mean the same parcel, it does; if you don't, it doesn't.

MR. CRANSTON: We have requested all interested persons to give us recommendations, and if you can come up with some proposals we would appreciate that.

MR. HEGGENESS: I will say we will do that. I feel the Commission has intent to deny this. If they do, I think it should be without prejudice.

MR. CRANSTON: That's the staff recommendation.

MR. HEGGENESS: I think if you are going to deny it, it should be without prejudice to further application; but I do wish to explain Richfield's pulling off the well rather than standing and waiting and spending $25,000.

MR. CARR: I'd like to ask Mr. Heggeness the difference between "without prejudice" and "without prejudice."

MR. CRANSTON: The "without prejudice" in the motion would relate to only - - It states "without prejudice to granting approval to Richfield Oil Corporation upon proper application to drill to the same depth and at the same location

as Texaco Core Hole No. 7D50." So if you want a more general "without prejudice," it would be without prejudice to any application.

MR. CARR: Does the Attorney General have any comment on that language?

MR. SHAVELSON: Certainly, whether or not that is inserted, there is nothing to stop - - the Commission's action doesn't raise res judicata, and there would be nothing to stop Richfield from renewing the application and the Lands Commission coming up with a different result; so I don't have any objection to that language. I don't think it is particularly necessary.

MR. HEGGENESS: I would say if you are going to deny our request on the merits there is no sense to add "without prejudice." If you are going to deny it on procedural grounds, it should be without prejudice. In other words, you may amend your regulations in the future on an application submitted to you, whereby you might grant the renewal. Of course, if it is denied on the merits, there is no point in doing it without prejudice to a later application. I don't know if I made myself clear.

MR. CARR: No. It reminds me of language in another situation where someone described a situation as being more apparent than real, and I am still ....

GOV. ANDERSON: In your suggestion, how would you suggest the wording would be?

MR. HEGGENESS: "Without prejudice," period.

MR. CARR: That's all right with me. Let's put it in.

GOV. ANDERSON: In the stratigraphy, the staff denies without prejudice -- what does that do to us?

MR. SHAVELSON: I have no idea, Governor. Seriously, I think it should be without prejudice to some specific thing.

MR. CRANSTON: Without prejudice to some further application?

MR. SHAVELSON: That's fine.

MR. HEGGENESS: Except as I suggested .....

MR. CRANSTON: I suggest -- the staff recommends "without prejudice to the consideration of further applications and without prejudice to granting approval" etcetera...

MR. CARR: I don't know what we are getting into here, but will take a chance.

GOV. ANDERSON: If the Attorney General's Office approves that, I'll second.

MR. CRANSTON: The Lieutenant Governor seconds that; and if there is no other comment, it is unanimously approved.

MR. HUTCHINS: Mr. Chairman, my name is Hutchins. I'd like to address myself to Calendar Item Number 23, as a result of this discussion on 22 -- because Mr. Hortig referred to a fact that this would grant the fourth go-around on this area, would be the fourth core hole. The reason I mention this is because when Mr. Hortig read the recommendations, he

didn't read them as printed exactly. He inserted the word "individually" on the fourth line. I would like to know if that would preclude the issuance of a joint permit, if any three of these companies or two of them might apply for a permit.

MR. HORTIG: If I may answer, Mr. Chairman, the intention was to point out that three permits were recommended to be issued pursuant to three individual applications. If, on the other hand, joint operations are desired subsequently on the part of two or three of the permittees operating under one permit, this would be completely proper and feasible and without the necessity for any further Commission action.

MR. HUTCHINS: O.K., that's the question I wanted to be sure was clear.

MR. HORTIG: This would be a matter of business negotiations between the permittees.

MR. HUTCHINS: I appreciate that, but just wondered if it would require further application or further action by the Commission.

MR. CRANSTON: The understanding is that it would not.

MR. HUTCHINS: Fine.

MR. CRANSTON: What would be the procedure if somone else wanted to drill there?

MR. HORTIG: It would have to be brought under the rules and regulations of the Commission for specific Commission decision at a meeting.

MR. CARR: Let me ask you this: Is there any concern to the Lands Commission what financial arrangements any companies make for the drilling of a core hole?

MR. HORTIG: No sir.

MR. CARR: It would be my understanding, Mr. Hutchins, that any one of these exploration permits, no matter whose name it is taken out under, the information we assume is in the possession of the people who did exploration is their property and they can do what they want with it and if they want to sell it is no business of the Lands Commission. Whether you had several parties either before or after you individually applied for a permit is no concern of ours.

GOV. ANDERSON: In other words, any one of these four -- the Gulf Oil Company could apply for a permit and could hire any company not named here to do the exploration for them, I would feel, as long as the permit is taken out in any of these four names.

MR. CARR: Or any other names.

MR. HORTIG: The drilling will have to be the responsibility of a named party to the permit -- but the financial participants or those who are going to share in the results are a matter of business negotiation of the permittee.

MR. CARR: Is that clear?

MR. HUTCHINS: In answer to Mr. Carr's question, it was because the word "individually" was placed in there and we wanted to be sure that there was no limitation of granting

1 these permits to just individual companies as a result of
2 the application before you.
3 MR. CRANSTON: This is understood.
4 MR. HUTCHINS: Thank you.
5 MR. CRANSTON: We proceed to Item 7 -- Authoriza-
6 tion for Executive Officer to offer 4,250.14-acre parcel of
7 tide and submerged lands in Santa Barbara County for oil and
8 gas lease - Parcel 4. Frank?
9 MR. HORTIG: Yes sir -- page 25 of the regular
10 calendar. In accordance with the sequential bidding procedure
11 approved by the Lands Commission on November 15, 1960, it is
12 recommended that the Commission authorize the Executive Officer
13 to offer a parcel of tide and submerged lands in Santa Barbara
14 County for oil and gas lease, pursuant to Division 6 of the
15 Public Resources Code; that the lease award is to be made to
16 the qualified bidder offering the highest cash-bonus payment
17 in consideration of the issuance of an oil and gas lease; the
18 bid-lease form used for the parcel shall be in the form adopted
19 by the Commission in November 1960; and the proposed lease
20 area is described as Parcel 4, which has been under consider-
21 able discussion with the Commission heretofore; that the lease
22 rental to be specified under the Public Resources Code be at
23 the rate of $1 per acre per year.
24 In view of the actions the Commission has taken for
25 authorization of the drilling of additional core holes on
26 Parcel 4, it is suggested that the closing date for bids on

1 Parcel 4 be set approximately ninety days hence, rather than
2 approximately the more standard closing heretofore of sixty
3 days after Commission authorization, in order to afford the
4 opportunity for the permittees to actually complete the core
5 holes before bids would be submitted.

6 MR. CRANSTON: If another company wishes to drill,
7 would there be adequate time to do so, before our next meeting
8 to apply and proceed to drill?

9 MR. HORTIG: They would have, under those circum-
10 stances, still sixty days -- which, as far as drilling time
11 is adequate but is dependent upon the availability of drilling
12 equipment of a capacity sufficient to do this type of operation.
13 This is not an off-the-shelf item in a hardware store, and
14 contracts for this type of operation must be negotiated, and,
15 on the other hand, it cannot be forecast that this would not
16 be adequate time. The time limit patently must be set by the
17 Commission or else we could have a series of requests suggest-
18 ing leasing be withheld for two years on the prospective
19 intent of some permittee to possibly drill a core hole.

20 MR. CRANSTON: With the expectation that perhaps
21 Richfield or some other company, seeing what we have done
22 today, would want to drill a core hole at this same location,
23 I should think this ninety days would be flexible enough to
24 give them adequate time, providing they apply in time to
25 drill.

26 MR. HORTIG: If this should not be the fact, the

closing date would still be under the control of the Commission.

MR. CRANSTON: Motion is in order.

MR. CARR: I so move.

GOV. ANDERSON: I second.

MR. CRANSTON: Motion to approve the staff recommendation on Parcel 4 is moved and seconded. Is there any comment? (No response) If not, the action is taken unanimously.

Now we can return to the regular calendar. First is Number 1 classification -- Permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statute. Item (a) application -- Pacific Telephone and Telegraph Company -- Proposed authorization of approval of submarine cable with necessary appurtenances across 0.16 acre submerged land of the Merced River, Merced County. Is there any comment on this item (a)? (No response).

Item (b) -- City of Seal Beach (Mr. Carr left meeting at this point) -- Amendment of Permit P.R.C. 2348.9 to permit increase of forty feet in width of tide and submerged land area, Seal Beach, Orange County, to provide for construction to increase stability of the present pier.

Glenn, do you want to make a motion?

GOV. ANDERSON: I move.

MR. CRANSTON: Motion is moved and I will second it to approve these items. They are so approved.

Item 2 -- Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies

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of the Commission: (a) American Smelting and Refining Company - Construction of a craneway to be located on wharf covered by Lease P.R.C. 618.1 in Carquinez Strait near Crockett, Contra Costa County.

GOV. ANDERSON: Is there a fee on this, or is this a part of a previous lease?

MR. HORTIG: This is part of a previous lease. The previous lease requires that any alterations, etcetera, are subject to Commission approval, so the Commission can consider it and that no adverse type of structure is placed on the land. This is an asset rather than a detriment, therefore it is recommended to be approved.

MR. CRANSTON: Item (b) L. W. Mehaffey -- 15-year lease for a boat-berthing facility, 0.07 acre submerged land in bed of Taylor Slough, Contra Costa County; annual rental, $150.

Item (c) Richfield Oil Corporation -- Deferment of drilling requirements under Oil and Gas Lease P.R.C. 1466.1 to January 1, 1962 to permit conduct of further studies to determine feasibility of drilling additional wells into the leased land from other locations.

GOV. ANDERSON: Will you explain that a little?

MR. HORTIG: Yes, Governor. Particularly with reference to questions which you had raised at the time of the last grant of extension, at which time considerable debate was expended on the desirability of a two-year grant of

deferment -- which two years was actually a typographical error, in that one year only was set -- our problem was finally solved on your motion that a six-month deferment be granted, with the statement to the permittee that if additional time actually became necessary in fact or desirable, that this item could again be considered by the State Lands Commission.

GOV. ANDERSON: So it's coming up for the second time?

MR. HORTIG: This is the reconsideration.

GOV. ANDERSON: Where is it?

MR. HORTIG: This is the area that was leased pursuant to competitive bidding at Rincon Field, as shown on the page preceding the calendar item on the map which you have attached, and on which on staff study the development to date as reported by Richfield has been in conformance with the lease terms and conditions; and there is a definite economic problem for justification of the drilling of additional wells which can be resolved, or it is hoped will be resolved, as a result of additional possible wells drilled and completed on the ocean floor at a future time, when the selection for location can be made, in the western portion of the lease.

GOV. ANDERSON: In other words, we can expect every six months or so a continuing deferment of this until they determine how successful the ocean floor drilling is?

MR. HORTIG: Actually, the first ocean floor completion and the only one on the California coast is successfully operating on this lease now. It is a question of selecting

1 additional locations for such drilling, which it is contem-
2 plated would be made, or started at least, within this six
3 months' extension.
4 GOV. ANDERSON: Wouldn't that be several extensions?
5 MR. HORTIG: They are not individual leases. It is
6 the fact that the contract requires a particular rate of
7 drilling wells. This has been satisfied up to the present time.
8 Time is now running and the lessee is not actually in a posi-
9 tion to decide the optimum location for his next well, which
10 probably would be selected at a location where it would be
11 bottom-completed by a method which is already proving to be
12 successful. So this next six-month period is solely for the
13 purpose of determination of where we drill the next well.
14 The representatives of Richfield are here if you desire any
15 further specifics.
16 GOV. ANDERSON: You probably feel this deferment of
17 six months will take care of this?
18 MR. HORTIG: And I would like to direct that ques-
19 tion to the representative of Richfield, as to their antici-
20 patory developments of the program they have under way.
21 MR. COOK: I think, Governor, the six-month period
22 will be sufficient to determine where to go with another well.
23 Frank hasn't pointed out that during the present period of
24 deferment we drilled two holes on the lease, one which was
25 unsuccessful and tended to limit what we thought was the
26 producing area; so we have got to figure out where to drill

the next well.

GOV. ANDERSON: How many are they supposed to drill under the present lease?

MR. COOK: Well, it requires one well every fifteen acres down to 6,000 feet; one well to thirty acres below 6,000 feet.

MR. CRANSTON: Thank you very much. Item (d) Richfield Oil Corporation -- 49-year right-of-way easement for construction, maintenance and operation of a submarine pipe line, 7.5 acres tide and submerged lands, Pacific Ocean near Coal Oil Point, Santa Barbara County; annual rental, $213.05.

MR. HORTIG: As shown on the map of Exhibit B, the second page following calendar page 7, the area identified is P.R.C. 308.1, just at the coast line. The outer limits represent the limits of an existing tide and submerged lands lease issued pursuant to competitive bidding in the 1940's by the State Lands Commission. Production has not yet been developed from this lease. Richfield is currently drilling at the location identified as "Prod.Head" on the seaward end of the parcel, as shown on the map -- the proposed production head. If this well is successful, then it is proposed that the well will be completed on the ocean floor, as will be reported in a later item; and conveying the products of this well to the shore to an existing tank farm would require a proposed submarine pipe line, which would be partially on the leased property and, as you can see, to the west and north partially on heretofore

unleased property of the State of California, being tide and submerged lands; and application has been made for a 49-year right-of-way easement to cover that portion of the pipe line which would be placed on the ocean floor over hitherto unleased tide and submerged lands.

MR. CRANSTON: All right?

GOV. ANDERSON: I think so.

MR. CRANSTON: Item (e) Southern California Gas Company and Southern Counties Gas Company of California -- 49-year pipe line right-of-way easement, 0.831 acre vacant State school land, San Bernardino County; total rental, $100.

Motion is in order to approve all of these under Classification 2.

GOV. ANDERSON: Is that $100 for the 49 years?

MR. HORTIG: Yes sir. If you will refer to the map following calendar page 8, you will see that the pipe line crosses only 346 feet in the southeast corner of Section 36 of the vacant State school lands. It is an interstate pipeline and the optimum routing from both sites makes it desirable to intersect the State lands, but only 346 feet.

GOV. ANDERSON: When they put a pipe line, how deep do they put it?

MR. HORTIG: It is partly dependent on the size of the pipe and pressures to be transported. There are safety rules and regulations and specifications.

GOV. ANDERSON: Roughly?

MR. HORTIG: Six, maybe.

GOV. ANDERSON: Six feet? In other words, this wouldn't interfere, get into water for agriculture?

MR. HORTIG: No sir. They are all below plow depth. They do this for the safety of their pipe lines. In addition, there are rules and regulations to remove all hazards.

GOV. ANDERSON: Make the motion.

MR. CRANSTON: Second the motion, item approved.

Item 3 -- City of Long Beach projects -- approvals required pursuant to Chapter 29: (a) Subsidence studies, State Lands expense, Chapter 29 (2nd phase); estimated project expenditure from May 25 to June 30, 1961, of $2,000, all estimated as subsidence costs; item (b) Pier A, Berths 208-209, transit shed and area development (first phase) -- estimated subproject expenditure from May 25, 1961 to termination of $239,000, with three percent or $7,170 estimated as subsidence costs; (c) Roads and streets; raise W strip and Seaside Boulevard on Terminal Island (2nd phase) -- Estimated subproject expenditure from May 25, 1961 to termination of $1,000,000 with 86 per cent or $860,000 estimated as subsidence costs; (d) Subsidence maintenance -- Estimated project expenditures from July 1, 1961 to June 30, 1962 of $168,000, all estimated as subsidence costs; (e) Subsidence studies (2nd phase) -- Estimated project expenditure from July 1, 1961 to June 30, 1962 of $251,000, all estimated as subsidence costs; (f) Removing pipe line trestle navigational obstacle from Los

Cerritos Channel by constructing an underwater crossing -- Expenditure from City's share of tideland oil revenues subsequent to May 25, 1961 of not more than $20,000 nor more than 12.5/65ths of cost of construction; subject to condition that City has no intention of replacing vehicular bridge and that work must conform to plans heretofore submitted.

MR. HORTIG: The items categorized by the Chairman are all pursuant to specific application by the City of Long Beach under the authority -- for consideration by the State Lands Commission under Chapter 29, 1956; have all been reviewed by the technical staff and are all recommended for approval, subject to the standard conditions in Commission advance approvals -- that the amounts to be allowed ultimately will be determined on final engineering review and audit subsequent to the time when the work authorized is actually completed.

MR. SHAVELSON: May I ask one question, Frank? On Calendar Item 11, there might be a little ambiguity. It says "... not more than $20,000 nor more than 12.5/65ths of the cost of construction." Is that whichever is higher or whichever is lower?

MR. HORTIG: It is whichever is lower. Actually, the details on pages 16 and 18, I think, clarify this. The summary does leave that ambiguity and I might explain that peculiar fraction of 12.5/65ths results from the fact that there is an allocation within the contract of 25/65ths of the cost, which was then divided into two parts as between two

1 participants, which divided the 25 into 12.5 and I will stipu-
2 late this is the first time that I have ever seen a fraction
3 of this type. Actually, this is the way it has been provided
4 in contracts with the City of Long Beach.

5 GOV. ANDERSON: Will you briefly explain what they
6 have in substance there?

7 MR. HORTIG: Yes sir. Referring to page 13, the
8 Harbor Department has a continuing project for subsidence
9 studies, engineering review, elevation surveys -- the acquisi-
10 tion of the technical data on a continuing annual basis for
11 control and planning of subsidence remedial projects; and
12 this, in their accounting system, they consider as a "force"
13 or as a project which is carried on by their own employees
14 and the time charged to this project is accounted to the
15 particular project; and the Office of the Attorney General
16 has heretofore ruled that that portion of the funds expended
17 for this project which relates to subsidence elements and the
18 alleviation thereof may properly be involved in expenditure
19 of tideland funds to defray the costs; (Mr. Carr returned)

20 GOV. ANDERSON: And the study alone for a year
21 would cost a quarter million dollars?

22 MR. HORTIG: Yes sir.

23 GOV. ANDERSON: How long does this type of study go
24 on? In other words, what are we talking about?

25 MR. CRANSTON: May I interrupt? Glenn, will you
26 take over? I have to leave. (Mr. Cranston left meeting

1 and Governor Anderson took over as Chairman)

2 MR. HORTIG: Governor, this has been a continuing
3 project of necessity on the part of the Harbor Department and
4 has been charged to tideland oil funds ever since the Legis-
5 lature by Chapter 29 of Statutes of 1956 .....

6 GOV. ANDERSON: Has it been costing a quarter million
7 a year dollars generally?

8 MR. HORTIG: Roughly.

9 GOV. ANDERSON: How long has this been going on?

10 MR. HORTIG: The project has been going on ever since
11 the City of Long Beach recognized they had a subsidence problem.

12 GOV. ANDERSON: I am talking about the costs.

13 MR. HORTIG: These annual costs have been approved
14 by the Lands Commission and the project has been conducted and
15 the funds expended since July 1956.

16 GOV. ANDERSON: We are talking about, roughly, the
17 sixth year now?

18 MR. HORTIG: That's correct.

19 GOV. ANDERSON: And we have been spending roughly a
20 quarter million a year for the purpose of the study of the
21 success in the future? I am not questioning the amount -- I
22 want to find out how much we are actually spending for just
23 a study to know we are doing a good job or not.

24 MR. HORTIG: And it is also the preliminary data
25 for planning toward remedial operations. As you will note on
26 page 14, we have a total of $168,000 rather than the quarter

1 million rounded number which you happened to select, Governor;
2 and the point, of course, is that also -- even though it is
3 determined after the work is completed that it was one hundred
4 per cent related to subsidence -- only twenty-five per cent
5 of this cost is allocable to the State's share of the tideland
6 funds until such time as an accumulated expenditure of thirty
7 million dollars shall be accrued; and current estimates are
8 that this thirty million dollars will probably never be
9 reached. If it were reached, then thereafter the State's
10 participation would be fifty per cent of the cost.

11 So, actually, what is being talked about here is,
12 insofar as the State's share of tideland funds allotted by
13 the Legislature, is twenty-five per cent of $168,000 for the
14 next fiscal year.

15 MR. LINGLE: If I might .....

16 GOV. ANDERSON: Then why did you figure $251,000?

17 MR. LINGLE: We have two pages, Frank -- one is
18 14 and the other 15.

19 MR. ROSE: You are looking at ....

20 MR. LINGLE ... 15, Frank, and Governor Anderson
21 is looking at 15.

22 GOV. ANDERSON: I have them both -- one is for
23 $251,000.

24 MR. HORTIG: One is for actual emergency maintenance
25 operations and the next one is for the subsidence studies,
26 and you are correct -- the $251,000 is for the estimated cost

of the subsidence studies which are detailed on page 15, and which have been on a continuing annual basis to provide the basic engineering necessary to know what is actually going on in connection with subsidence, to provide the basis for planning subsidence remedial works, and to determine whether there is actually an advantageous accomplishment in subsidence alleviation as a result of the repressurization program which is being carried on extensively.

MR. LINGLE: I am Harold Lingle, Deputy City Attorney. For instance, on the breakdown on page 15, Governor, item 1 is actual people out making surveys in the field; subsidence section is the cost of maintenance or part of the cost of keeping track of where all these accounts are; preliminary engineering studies is a study of the various projects that they are building, that we will be building there and of the subsidence aspects of the projects; State Lands expense, Chapter 29, is information which your staff in the Long Beach area -- when they want to know something about what we are building down there and what we are doing, this is the expense, estimated expense, of bringing them up to date.

MR. ROSE: Which item is that?

MR. LINGLE: Item 6 on page 15. We have got several million dollars' worth of engineering that they check out.

MR. ROSE: Information requested and needed by the staff of the Lands Commission is costing $50,000 a year? You are spending that for that purpose?