with us this morning, Governor, if you would like to go into any of the further specific details. Actually, we did not review for purposes of this agenda the complete corporate structure, qualifications, et cetera, of the University Benefit Association because by approval of the item as here recommended the Commission's records will indicate that as of today the divided interests of the various individuals and associations named were finally transferred to Humble Oil & Refining Company, and University Benefit Association is only a momentary stop on the route to that assignment, and the responsible party for compliance with the lease terms and conditions as of the time of approval by the State Lands Commission will be the Humble Oil & Refining Company.

GOV. ANDERSON: My question -- maybe you can answer it. I was wondering - - I realize we are transferring this primarily from one corporate group to another, that is the net result; but the University Benefit Association comes in the middle. What does the University Benefit Association come out with? Will they have something they didn't have before or - -

MR. HORTIG: In the process of the double transfer they retain a reserve oil payment which will be returned to the University Benefit Association over the years by the Humble Oil & Refining Company out of production as oil is produced. This is the reserved benefit to the University Benefit Association.

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GOV. ANDERSON: It will be an endowment in a sense given by the Humble Oil & Refining Company to the University Benefit Association?

MR. HORTIG: It doesn't sound quite technically correct to me, Governor. I wonder if the Chairman would call on Mr. Gardner for the distinction -- which may not be different.

MR. GARDNER: Mr. Chairman .....

GOV. ANDERSON: We want to help you see the University Benefit Association gets some money; at the same time I'd like to know how you are doing this.

MR. GARDNER: All right. My name is William A. Gardner. I am with Humble Oil & Refining Company.

The purpose of doing it in this particular manner is to get all ten of these interests into a single owner, so that the single owner may convey to us and reserve a single oil payment, rather than to have ten individual oil payments and ten loans in the bank, and so forth. That is the primary purpose of this.

I don't think it is so much of an endowment from Humble Oil & Refining Company. Actually, the University Benefit does acquire a benefit by retaining some of the interest that is paid on this loan.

GOV. ANDERSON: Who does that interest come from?

MR. GARDNER: It would be paid by Humble ultimately.

GOV. ANDERSON: It does come from Humble?

MR. GARDNER: Humble pays the University Benefit the oil payment and also a certain amount of interest on the oil payment, and the University Benefit in turn borrows from the bank at a slighely lower interest rate; and the benefit to the University Benefit is the difference in the interest rate -- that is their profit in the transaction.

MR. LUEVANO: Are there any interests left in the University Benefit Association after what is described here as a concurrent assignment of the working interests?

MR. GARDNER: They retain the oil payment based on production, none of the working interest or operating interest of the lease.

MR. LUEVANO: And am I correct that the transfer is, in fact, one from this set of owners in this portion (a) to University Benefit Association, and from them to Humble?

MR. GARDNER: That is correct.

MR. LUEVANO: Rather than from that set of transferees to the University Benefit Association and Humble?

MR. GARDNER: Well, the transfer ....

MR. LUEVANO: In other words, the University Benefit Association in this case is a conduit?

MR. GARDNER: That is correct. The first transfer is from the ten present owners to University Benefit Association.

GOV. JOHNSON: And in exchange for some consideration, then, the University Benefit then in a sense sells

whatever interest they have. This is conformant to the Humble Oil Company.

MR. GARDNER: That is correct, and they retain the oil payment.

GOV. ANDERSON: And to come out exactly the same, don't we?

MR. HORTIG: Yes, sir.

MR. GARDNER: That's correct.

MR. LEEVAN: I'll move.

GOV. ANDERSON: Second.

MR. CRANSTON: The motion covers the amendment as approval is granted unanimously. Thank you very much.

Item 9 -- Authorization for approval of claim for refund to Board of Control by Leo O. Peachey, Dan P. Haight and Lynda H. Haight, lessees under Lease P.R.C. 792.1, in the sum of $1,055, representing rental paid by claimants to State for which no possession of premises was ever obtained. Further authorization for Executive Officer to present claim to Board of Control with recommendation for approval of payment. Although State had commenced legal action against the trespassers who were occupying the leased area, there was no reasonable anticipation of a prompt resolution of the issue, therefore lessees ceased to deposit further rentals. Matter is in order.

GOV. ANDERSON: I'll move.

MR. LEEVAN: Second.

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

Item 10 -- Acceptance of bid and award of Oil and Gas Lease P.R.C. 2923.1 (Parcel 9-A), Santa Barbara County, to Phillips Petroleum Company, a Delaware corporation, and Pauley Petroleum Inc., a Delaware corporation, joint high bidders, in the cash bonus amount of $6,100,000.

Frank, do you want to comment on that?

MR. HORTIG: Mr. Chairman, as the Commissioners will recall, the recommendation for acceptance of bid is predicated upon the bid offer received by the State Lands Commission on September 20, 1962, in which the joint bid of Phillips Petroleum Company and Pauley Petroleum Inc. was the high bid. The bid has been reviewed as to technical and economic sufficiency by the staff, and the Attorney General has reported that the bid submitted conforms with the bid requirements specified in the proposal of the Commission, with the applicable provisions of law, and the rules and regulations of the Commission. Therefore, it is recommended that the lease be issued.

GOV. ANDERSON: I'll move it.

MR. LUEVANO: Second.

MR. CRANSTON: Approval is moved, seconded, made unanimously. I'd like to point out that this bonus money received will go to the State Water Resources Development Fund, since we have already received the appropriation amount that

goes to the General Fund and to operate the State Lands Commission. This is a real boost to the Water Plan. It brings the total collected in oil bonuses to $20,180,713, compared to $16,000,000 which we collected in the entire year, last year -- fiscally speaking. We are exceeding our expectations and hope to receive more more money before the year is done and will be able to help the Water Plan further, which will reduce the amount of bonds necessary for that plan.

Item 11 -- Confirmation of transactions consummated by Executive Officer.

MR. HORTIG: The items reported on page 21, Mr. Chairman, consist of extensions granted under delegation of authority for one previously authorized geophysical exploration permit and one geological survey permit.

GOV. ANDERSON: Moved.

MR. LUEVANO: Second.

MR. CRANSTON: Moved, seconded, made unanimously.

Item 12 -- Informative only. No Commission action required. (a) Report on status of major litigation.

MR. HORTIG: Mr. Chairman, of particular interest to the Commission, of course, would be the first item reported on page 22, which is the case U. S. vs. Anchor Oil, on which the trial on issues other than causation was held on October 3 -- which, of course, followed the last meeting of the Lands Commission; and the Court has now set a trial argument for December 15th this year on that case.

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Also, on page 23, there are reported two new actions revolving about contentions as to the existance of problems in the Long Beach area, both as to existing operations as well as to prospective operations that are still under consideration with the City of Long Beach.

In the first instance, in the case of Twombley vs. City of Long Beach, the fundamental plea to the Federal District Court is that Long Beach received the tidelands from the United States and not the State of California, and therefore the City should not send any portion of the revenues to the State Treasury as required by law. The second case is an action filed by one Carl Whitson, on which to date we do not believe we have been served, contends that the proposed development by the City of Long Beach of the East Long Beach area would violate certain private rights. This action will also have to be defended inasmuch as specifically, in addition to the City of Long Beach, both the State Lands Commission and the State of California are named as party defendants in this action.

The State Lands Commission and the Controller are being represented in all these actions by the Office of the Attorney General.

MR. CRANSTON: No action being required on that item, we will jump over 13 for the moment and go to 14 -- Application by Allied Properties for fifteen-year lease, tide and submerged lands of Santa Barbara Channel at Montecito,

Santa Barbara County, for construction, maintenance and use of pier and thirty mooring areas adjacent to Santa Barbara Biltmore Hotel for use of hotel guests; annual rentals for 30-foot by 600-foot pier area, $258.18; total annual rental for thirty 50-foot diameter mooring areas, $562.20.

Motion is in order to approve.

GOV. ANDERSON: Will you explain this a little bit?

MR. HORTIG: Mr. Chairman, for the record may I report that despite the heading "Supplemental Item," this should be stricken from the revised calendar summary. This is not a supplemental calendar item. This is one of the items that necessitated the preparation of the revised calendar summary. It inadvertently had not been completed and included in the original summary, although application data, et cetera from the applicant had been received by the staff.

The Allied Properties, as operators of the Biltmore Hotel at Santa Barbara, Governor, propose -- as shown on the map on the very last page of your agenda -- immediately offshore from the hotel to erect a pier for landing at the hotel, and within the dashed outline indicated as "Anchorage Area, Parcel B" to place concrete block or other similar substantial anchors at spaced intervals on the ocean floor within the limits of the dashed area, which fronts on the hotel, to which anchor buoys will be affixed, and, in turn, boats of guests.

GOV. ANDERSON: How big will this parcel be?

FROM OPG

MR. HORTIG: Well, there are thirty individual mooring areas scattered over the area, each mooring area fifty feet in diameter. The general appearance would be such as you have already observed, I am certain, offshore Catalina Island, where all the offshore moorings are located -- which, incidentally, are also under identical type of lease to the Catalina Island Company from the State Lands Commission.

GOV. ANDERSON: Three hundred by three hundred square foot area, is that right?

MR. HORTIG: Grand total; and thirty-foot easement for the pier.

GOV. ANDERSON: This is all private?

MR. HORTIG: All upland.

GOV. ANDERSON: All of this is private property?

MR. HORTIG: Private properties on which these structures will be placed. The area will be subject to public navigation as well as public access to the tide and submerged lands from the high water mark seaward.

MR. CRANSTON: Approval was moved simultaneously and unanimously by the Board members and approved unanimously.

We come to the final item -- confirmation of date, time and place of next Commission meeting. Note that this is a change from the earlier schedule: Thursday, December 6, three p.m., at Los Angeles.

GOV. ANDERSON: This is changed from the one we agreed upon?

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MR. CLAMSTON: Yes. This has been checked with your office. It stands confirmed if there is no objection.

If there is nothing further to come before us, we now stand adjourned.

ADJOURNED 10:45 A.M.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, hereby certify that the foregoing twenty pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held at Sacramento, California on October 25, 1962.

Dated: October 26, 1962, Los Angeles, California.

Louise H. Lillico