TRANSCRIPT OF MEETING of STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA

July 25, 1963

PARTICIPANTS:

THE COMMISSION:

Honorable Hale Champion, Director of Finance, Chairman
Honorable Glenn M. Anderson, Lieutenant Governor
Mr. Charles S. Hurley, Administrative Assistant to Honorable Alan Cranston, State Controller

Mr. F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Miriam E. Wolff, Deputy Attorney General

APPEARANCES:

In the order of their appearance:

Mr. Sidney S. Gorman, Chief Engineer
San Francisco Port Authority

Mr. David Joseph
Department of Fish and Game

Mr. Harold Lingle
Deputy City Attorney
City of Long Beach

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1 MR. CHAMPION: The meeting will please come to
2 order. I understand you want us to take first, out of
3 order, item 3(j); we have people here from the San Francisco
4 Port Authority, Mr. Gorman and Miss Wolff.
5 The item is: Permit to dredge approximately
6 3,500,000 cubic yards of material from four shoal areas within
7 City and County of San Francisco and Marin County. Royalty
8 of eight cents a cubic yard to apply only to material ex-
9 tracted from shoal areas not under the jurisdiction of the
10 San Francisco Port Authority.
11 Now, I understand either Mr. Gorman or Miss Wolff
12 want to make a presentation asking the Commission not to make
13 that exception -- that the whole thing should be without
14 payment of royalty, and that is the question before us.
15 Would you care to speak to it, Miss Wolff?
16 MISS WOLFF: Yes. I have here a map which you
17 gentlemen might like to see, of the shoal areas.
18 MR. HORTIG: They have one attached to their agenda.
19 MISS WOLFF: Thank you very much. Does it have
20 the jurisdiction lines on it?
21 MR. HORTIG: Yes, it does. It follows immediately
22 after page 19.
23 MISS WOLFF: Well, Mr. Chairman, Governor, and Mr.
24 Hurley, I feel that I wish to explain first that Mr. Magnin,
25 the president of the San Francisco Port Authority, wished to
26 be here and make this presentation himself this morning, but

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the press of other business kept him from the meeting and I am afraid we are relying on a very weak reed here.

We have up here on your podium a picture of what we propose to use this thing for, so you may see very clearly it is to be used for purposes of commerce and navigation.

I am not ordinarily so modest, but I always feel when you come before a Commission such as this and urge the Commission to go contrary to an experienced staff's recommendation, you have a great uphill battle. I am urging you to do that and I feel quite justified in doing so, because the staff's recommendation really has never had to our knowledge the benefit of any presentation of the State interests actually involved.

I think I should explain to you gentlemen first that under the Code section, 6303, which the staff has reprinted in their calendar item summary, it is very clear that the question before you is a question of discretion -- that in the event you find it is in the best interests of the State of California to permit the San Francisco Port Authority to have sand and gravel free from Point Knox Shoal, which is the only one of the shoals located outside the jurisdiction of the San Francisco Port Authority -- and even that shoal, gentlemen, is partly within the jurisdiction of the San Francisco Port Authority and partly outside -- if in your discretion you find it is in the best interests of the State of California, then you will, I am sure, also find that the position taken by the

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staff is unfortunately contrary to those interests.

Now, the problem is simply this: The State of California holds all of these shoals in trust for commerce and navigation, and it holds the whole Bay of San Francisco in trust for commerce and navigation. What the Port Authority proposes to do with the sand and gravel which it wishes to extract is to use it to build a terminal, and the terminal is the one substantially as depicted.

Now, the Port Authority has not arrived at this conclusion carelessly or thoughtlessly. When the present Port Commission was first appointed by Governor Brown, it sought outside expert assistance. It first got some reports from Stanford Research and it then got some experts to make a long, detailed study of what was needed for the Port Authority. The Port Authority is a State agency; the State agency holds it in trust for commerce and navigation. So the advance study has led inevitably to the terminal you see before you.

The present terminal buildings are very old. The study concluded that with very few exceptions they were not worth rebuilding; that the character of shipping has changed and it requires the type terminal structure you see. Now, that sort of terminal structure requires a great deal of fill in order to bring it to deep water, and it is that fill material which is the calendar item on your agenda.

I think you will regard this as you would regard any other trust which you administer. You administer this

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1 particular trust primarily for purposes of commerce and navi-
2 gation. The purpose for which the Port Authority wants the
3 property is solely, entirely and completely for commerce and
4 navigation. Roughly, the State Lands Commission has juris-
5 diction over minerals generally, but there is an exception of
6 the property within the jurisdiction -- of the State property
7 within the jurisdiction of the San Francisco Port Authority.
8 There are, of course, exceptions to already granted State
9 lands.
10 Now, for purposes of convenience, in 1947 -- I must
11 say I go back that far -- the State Lands Commission was
12 granted jurisdiction by the Legislature to make mineral leases
13 on property within the Port Authority jurisdiction, with the
14 consent and approval of the San Francisco Port Authority, the
15 proceeds of such mineral leases to be divided fifty per cent
16 to the Lands Commission and fifty per cent to the Port Author-
17 ity. Now, this is the Commission's sole jurisdiction within
18 the land presently under the jurisdiction of the San Francisco
19 Port Authority, within the mineral lands or any other lands.
20 Apparently leases have been entered into. Now, I
21 say "apparently." It's a rather peculiar situation. We have
22 written the Lands Commission to get a list of valid leases
23 existing on San Francisco Port Authority property of this
24 nature. This is a rather ancillary problem.
25 MR. CHAMPION: You mean mineral leases?
26 MISS WOLFF: Mineral leases, yes. I have a

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recollection myself that there have been some approved leases, at least one approved lease, maybe more. There are some unapproved leases. Nevertheless, those leases have been consistently paying something like 4.6 cents, of which 2.3 cents accrues to the San Francisco Port Authority. Your staff's recommendation with reference to Point Knox is that the San Francisco Port Authority pay eight cents -- all of which, of course, will accrue to the general fund.

Now, I think this is rather strange that in property in the Port's jurisdiction, the Port is recovering either 4.6 or 2.3, however you want to look at it, and property just immediately outside their jurisdiction they will be requested to pay eight cents.

I direct your attention first to the fact -- I think the discretion of this Commission should be so exercised that the Port Authority pays nothing and that this Commission determine it is in the best interests of the State of California to permit this construction to go forward without the payment of fee; but that even if you were to exercise your discretion unfavorably to this request, I think it really quite astonishing that on one hand we lease property for 4.6, on the other hand we pay for the very same property eight cents.

Now, there are some things, too, that should go into your conclusion before you exercise your discretion. One is that the San Francisco Port Authority, while a State agency, is nevertheless a self supporting State agency and it receives

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1 no payments from the general fund and never has. It has been
2 in existence now for a hundred years without any payments, as
3 you, Mr. Hurley and Mr. Champion, know.
4 We are now proposing a bond issue for this very
5 construction. The bonds will have to be serviced from these
6 very revenues and, obviously, the cost of the sand and gravel
7 which goes into this construction has an effect on the over-
8 all payment. So it seems it is a case of taking the money out
9 of one pocket and putting it into another.
10 MR. CHAMPION: May I ask this -- We were assured in
11 approving that bond issue that this was feasible and that was
12 not contingent on any general fund contribution; in other
13 words, the bonds would be self-supporting -- the situation
14 with the Port Authority was such that there would be no con-
15 tribution from the general fund.
16 MISS WOLFF: That is correct, but undoubtedly the
17 character and nature of the construction will be dependent
18 upon its total cost, or maybe on its primary feasibility. I
19 frankly confess that in figuring the cost, the cost of the
20 fill material would be only the cost of removal and setting it
21 in place.
22 I'd like to go into an ancillary matter. I have
23 heard it expressed that the staff of this Commission might be
24 fearful of setting a precedent. I want to remind you that,
25 first of all, the situation, I think, is unique; but even
26 assuming it were not, you have had a precedent for many years

in that the State highways have free access for borrow fills. While in my personal opinion no special code is necessary, that is made possible because there is a special code section. This particular code section is based on the premise that it is of greater benefit to give it to the people of State of California than selling it to private industry, and this is exactly the same situation you are faced with here today: Is it of greater benefit to the people of the State of California to permit the Port Authority to use this for construction purposes for the public's benefit, or is it of greater benefit to hold it for sale to private industry?

There is one matter that I did not catch until I saw the complete calendar item. The shoals within the San Francisco Port Authority area are solely within the jurisdiction of the Port Authority. They are of interest to the State Lands Commission only when a private lease is made of those mineral rights and those shoals should be deleted from this calendar item because the Attorney General's Office has ruled, and I think without any question, that the jurisdiction of this Commission over those shoals is only for the very limited purpose of leasing them to outsiders with the approval of the San Francisco Port Authority.

Now, obviously, if valid leases exist on those shoals, the Port Authority will be under a duty to protect the rights which may be in the lessee, but that is a duty which now devolves on the San Francisco Port Authority in the event it

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uses the property within its jurisdiction.

Now, there is one further matter and that is -- if you gentlemen have that map, you will see that while there are three shoals with usable sand, that sand within the Port Authority jurisdiction - - Let me put it more positively: We know the shoal outside the Port Authority jurisdiction is very good sand; the shoal in Marin County is a very good shoal. I do not know whether your map is numbered like mine. Shoal Number 4 we might be able to use, but there is some problem of interference right off the end of the piers. We might have some interference with use for commerce; we might have some difficulties with the use of that shoal.

Mr. Gorman, the Chief Engineer, is here. I think he can answer any of the technical questions you might be interested in asking with reference to the materials and the extent.

Before I leave you gentlemen, I'd like to say this: I'd like you to remember that the San Francisco Port Authority is not a wealthy State agency. At the Port meeting yesterday, there was considerable discussion about whether to spend on maintenance two items amounting to three thousand dollars each. So while, in the kind of figures that most State agencies are used to, this might seem like a relatively small amount -- although it should be in excess of $280,000, which is not a large amount for too many State agencies -- but assuming we took only a small portion from the Marin County

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shoal, it is to the Port Authority a substantial item. And I think this is one of the items that you will consider also -- whether it is to the State's best interests to permit the Port Authority to extract this without payment of royalty.

Would you gentlemen care to hear from Mr. Gorman?

MR. CHAMPION: I think that as of the moment it is really not a technical question that is involved here, and I'd like to hear the staff comment on this before we proceed.

MR. HORTIG: Mr. Chairman, in the same order in which the points were presented to you by Miss Wolff, first, with respect to the possibility of a charge of eight cents per cubic yard as against other quoted figures for existing leases in San Francisco Bay, the prior royalty payments and prior royalty collections by the Commission result from leases issued up to fifteen years ago in San Francisco Bay; and in view of the need of the Port Authority for fill material and the limited supply, which impinges even further upon the commercial availability of this sand, result is that the latest bid offer for the latest lease -- which has not yet been brought to the Lands Commission for award -- starts at a minimum eight-cent payment.

There is also under consideration a sublease of an existing lease, which would increase the sand value from the lower average value that has been experienced heretofore to somewhere on the order of ten to twelve cents per cubic yard.

So in consonance with the current economic value of

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these sand deposits, the staff recommendation of eight cents was based on what was actually probably at this time a minimum, in order to not overload the cost to the Port Authority if a value is to be charged. Actually, it is the economic commercial minimum as of today, whereas it is true the figures quoted by Miss Wolff are correct, unfortunately, because of long-term leases which have been in existence for a considerable number of years and date back to a time when there wasn't the tremendous need for nor the increase of the economic value of the sand deposits in San Francisco Bay.

Again, as to the precedent with the Lands Commission under 101.5 of the State Highways Code, which provides for use of areas of State lands for construction by the State Division of Highways, this is a statutory directive which, by approval of the Lands Commission as successor in interest to the Surveyor General's Office, can be carried out. While the argument in principle is undoubtedly sound and the analogy on State agencies and State navigation interests is completely correct as Miss Wolff stated it, nevertheless the only State agency that has statutory authorization by the State Lands Commission with respect to removal of fill from State lands is the Department of Public Works.

MR. CHAMPION: Are there any other State agencies that go the other way? Have we actually sold anything to other than the Division of Highways?

MR. HORTIG: I don't recall any at the same political

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level. Special subdivisions, harbor divisions and so forth, have in some instances paid royalty for material for development of that harbor where they had a legislative grant, but subject to mineral rights of the State. There, again, we have a difficult analogy because, as Miss Wollf pointed out, these lands are still owned by the State with an original trust for commerce and navigation; so the analogy is not complete with respect to a political subdivision.

MR. CHAMPION: With all due respect to the Port Authority, it is an unusual State agency.

MISS WOLFF: Only because the State allowed the rest of the lands to get out of its jurisdiction.

MR. HORTIG: Then, concentrating for the moment on only those shoal areas which are defined within the jurisdiction of the San Francisco Port Authority in the Attorney General's opinion which you have before you, it is Miss Wolff's position that the Authority will determine what it will remove, and how the operations will be controlled is in the Port Authority and does not require a permit from the State Lands Commission as such. This is, I think, a highly technical mechanical problem and while in principle the staff will agree -- some documentation of some type, whether it is a letter of understanding or a report from the Port Authority back to the Lands Commission, or the Lands Commission says, "This is what we have agreed you are going to do," however we classify the document, I am sure can be worked out without

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suggesting that anyone is impinging on anyone else's jurisdiction.

MR. CHAMPION: Has there been any legal examination of this contention by our counsel?

MR. HORTIG: No sir, not to this moment -- because the legal examination went to the point of, one, may the Port Authority remove sand or move sand within the area of its jurisdiction at no cost -- answer, "Yes." Number two, may they do it likewise from areas in San Francisco Bay but outside their jurisdiction, outside the City and County of San Francisco. The answer is automatically "no," but in the discretion of the Lands Commission this might be approved. So it is the last question that is really before the Commission now, to wit, whether or not to approve the staff recommendation that there be a charge for such material as might be removed from Marin County.

MR. CHAMPION: If we acted on the staff recommendation, we could do it with a stipulation of no prejudice to the claim of Miss Wolff that this is really unnecessary for the Port Authority. There is not any reason why that couldn't be done.

MR. HORTIG: And at staff level the appropriate documentary record could be established to cover the situation; that is correct.

MR. CHAMPION: Is there anything further?

MR. HORTIG: No, sir.

MR. CHAMPION: Is there anything further you

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would like to say?

MISS WOLFF: Just one thing, on the amount. I hate to get off on the ancillary question of the amount because I think the matter of principle is the more important one; but I think it is not two months ago that the San Francisco Port Authority had submitted to them by the staff of the Lands Commission for tentative approval a lease in Southampton Shoal for five cents, and it seems to me to be a case where we are pulling ourselves up by our own bootstraps by making it eight cents. It may not seem very much to you, but considering all the sand that has been extracted in San Francisco Bay, this is a tremendous amount commercially, so obviously we are raising the price, in effect, for usable sand probably all over the area. Nevertheless, only two months ago we rejected the possibility of releasing Southampton at five cents because we knew we needed it. The first time we saw the eight cents was on the agenda item.

I don't quarrel with Mr. Hortig; I don't think eight cents is a high figure, and I wish all the leases were that way, but I do say that you will consider the benefit to the State. The entire essence of the problem -- you really get back to this fundamentally -- is: Does the State hold its property for the production of revenue, or does the State hold its property for the general public good.

MR. CHAMPION: Of course, the problem here presented is the one frequently presented where the San Francisco Port

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thority or some local interest, where there may be an inter- to the State of California and there is also a greater interest, when going into the matter there is the problem of whether or not there is a call on the general fund to support that agency. Now, the way that agency has been kept in its present position is as a self-supporting agency. There has been no call upon general revenues of any kind to support it and, in effect, this would become a general fund subsidy because the revenues to be received in any lease of this kind do flow to the general fund. So we are saying, in effect -- the argument would have to be, and I admit to me it is not persuasive, that the whole State benefits, and benefits about equally with the local area. It seems to me in this case this is not true.

The State has gone a long way in lending its bond authority to the Port Authority for this development and now to go further and subsidize the development itself out of potential general fund money goes too far. Of course, I am wearing my other hat. Of course, I am supposed to be the protector of the general fund and it is in severe need of protecting, as the Port Authority is of protecting its interest in this new venture. If you have any comment on this general fund relationship, I'd like to hear it.

MISS WOLFF: I have just this comment. Other port areas have been more fortunate. Let's take Long Beach, for example, which secured a grant and now obtains oil revenues.

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22 est in this new venture. If you have any comment on this
23 general fund relationship, I'd like to hear it.
24 MISS WOLFF: I have just this comment. Other port
25 areas have been more fortunate. Let's take Long Beach, for
26 example, which secured a grant and now obtains oil revenues.

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1 That is oil revenue that would have been able to go to the
2 general fund. Long Beach and San Francisco are, of course,
3 generally competitive. There are other areas, including
4 Stockton, in which the State spent a great deal of money to
5 help bring the channel up to the Port of Stockton; that is
6 general fund money, gentlemen. You had some matching funds in
7 Sacramento -- that's general fund money. I don't think you
8 can name a single port development that hasn't had some help
9 from the general fund, except probably the San Francisco Port
10 Authority, the only area which the State retained for itself.
11 Now, Mr. Champion, you and I have a wholly different
12 approach on this. I think the State kept the San Francisco
13 Port because it was a great port, because it was a natural
14 resource for the State of California and the Legislature was
15 not going to let the City get the benefit of it because it was
16 of benefit to the whole State of California. Of course, it is
17 a utility and I think you have to look at a port that way.
18 I admit we are at a point of conflicting philosophy on port
19 structures, generally.
20 GOV. ANDERSON: Just a couple elementary questions.
21 It is my understanding, according to this map, they will not
22 be expected to pay anything for Southampton or Telegraph be-
23 cause they are within the Port Authority's jurisdiction, and
24 for Presidio?
25 MR. HORTIG: That's correct.
26 GOV. ANDERSON: The only one is Port Knox?

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1 MR. HORTIG: Designated as Shoal Number 2, Port
2 Knox Shoal, and only that portion of Port Knox Shoal that lies
3 in Marin County. It lies principally in Marin County, but
4 there is a small portion that lies in San Francisco County,
5 and as to that portion it would be recommended that there be
6 no charge for the fill removed.
7 GOV. ANDERSON: Some of that is on the San
8 Francisco side?
9 MR. HORTIG: It is so small that it is in the cross-
10 hatching. This is defined in 1770 of the Harbor and Navigation
11 Code.
12 GOV. ANDERSON: So what we are actually talking
13 about, is something likely belonging to Marin County. Is
14 there any advantage to that area to take this material out of
15 there?
16 MR. HORTIG: Well, Marin County as such has no
17 authority over the shoal area. It lines within the County of
18 Marin, but as to mineral resources, it is under the jurisdic-
19 tion of the State Lands Commission of the State of California.
20 GOV. ANDERSON: There is no benefit or need for
21 navigation to get that shoal cleaned out or anything?
22 MR. HORTIG: Well, all shoal areas that can be
23 removed in San Francisco Bay normally, without upsetting the
24 tidal bore and tidal currents, are an asset to navigation by
25 their removal; and, indeed, for many years before construction-
26 type sand and gravel became a valuable and short-supply commodity

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in San Francisco Bay, the U. S. Army Engineers expended Federal funds to dig up some of these shoals to keep the navigation channels clear and actually barged the sand out in the ocean in order to get rid of it. The shoals are still a navigation hazard and they continue to reform in part. Because much of this material is brought down from the Sacramento and San Joaquin Delta, at the point where the waters lose enough velocity in tide, they cannot carry this material in suspension. So there is a gradual decrease and the anticipated need of supply is going to be greater.

GOV. ANDERSON: What they need -- can they get enough out of 1, 2, 3, and 4?

MR. HORTIG: This is not precisely known. We have discussed this with Mr. Gorman very briefly and the probability is that Shoal Number 2 might turn out to be the most desirable and the largest supplier of the material. Actually, until the material is dredged, sorted and separated from the mud and silt, how much of it is good fill sand for the type of construction there you cannot really tell until it is processed; and while you can estimate as to 1, 2, 3, and 4, the estimates are very optimistic for Shoal Number 2, Port Knox.

Incidentally, there would be a problem removing Telegraph Shoal Number 4 there; because of the possibility of shipping, and so forth, it would be a converse bonus, because of all the places not to have a shoal area, it would be Telegraph Shoal.

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GOV. ANDERSON: It seems to me that would apply to Presidio and perhaps the one in front of the island there.

MR. HORTIG: Except as to their actual content, as to specification grade sand.

GOV. ANDERSON: And you haven't had a chance to determine that?

MR. HORTIG: And we do not have sufficient sand from boring tests to really know.

GOV. ANDERSON: One last thing, on a different matter. Do you feel, then, if we take the recommendation which your staff is making that this will not apply or affect any other State agency, any other public agency?

MR. HORTIG: That is the presumption on which this recommendation has been drafted.

MR. CHAMPION: Are there any further questions or comments? (No response) I want to ask one thing: Are there any adverse effects so far as the Bay, the whole full controversy of the Bay -- are there any foreseeable adverse results by removal from any of these shoals?

MR. HORTIG: In a very limited sense in terms of disturbing natural habitat of particular marine organisms who have grown up at that particular location. There are people who do protest any removal of any sand either from San Francisco Bay or along the ocean shore anywhere in the State of California; but again, it is a problem of balance, of supply and demand, as to all of the factors involved.

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MR. CHAMPION: I recognize that not a stone shall turn in some cases; but I wanted to ask whether there were any specific foreseeable and serious, or at least significant, adverse effects.

MR. HORTIG: From studies, we are not aware of any potential disadvantage to removing a shoal area. Additionally, it must be pointed out, of course, that such operations would require a dredging permit based on maintenance and navigation interests from the U. S. Corps of Engineers.

MISS WOLFF: That permit can be obtained.

MR. HORTIG: Any possibility of damaging effect resulting from the dredging operation would be a consideration in the issuance of that permit by the Army.

MR. CHAMPION: And there were no objections?

MR. GORMAN: Yes, there were objections, but the permit has been granted.

MR. CHAMPION: Is there anything further? What is the pleasure of the Commission?

GOV. ANDERSON: I move the State's recommendation.

MR. HURLEY: I'll second it to bring it to a vote, but I am going to abstain from voting because I haven't had a chance to discuss it with Mr. Cranston.

MR. CHAMPION: To make the problem clear, I can second and there won't be any question of the record. I'll second, then, and there being no further objection that will be the order. The staff's recommendation is approved.

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MR. CHAMPION: (continuing) Let's return to the calendar in order, then. Number 2 -- Permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statute. Consideration is the public benefit. Applicant (a) State of California, Division of Highways -- Addition to right-of-way Easement P.R.C. 2923.9, sovereign lands of the Sacramento River, Sacramento and Yolo counties, of 1.037 acres for State Highway Route III Yol.Sac.-6-C, Sac.

GOV. ANDERSON: I move it.

MR. HURLEY: Second.

MR. CHAMPION: If there is no objection it will stand approved.

Number 3 -- Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission. (a) has been deleted from the agenda?

MR. HORTIG: That's right.

MR. CHAMPION: (b) Richfield Oil Corporation -- 6-month permit to conduct geophysical exploration operations from July 25, 1963 through January 24, 1964, tide and submerged lands Santa Barbara, San Luis Obispo, Monterey, Santa Cruz, San Mateo, San Francisco, Marin, Sonoma, and Mendocino counties.

MR. HORTIG: All the counties as noted were notified of the consideration of this application and of those counties who acknowledged receipt of the notice, none stated any objection to the issuance of the permit.

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GOV. ANDERSON: How many were they?

MR. HORTIG: Fully two-thirds of them -- Santa Barbara County, San Luis Obispo County come back to my recollection; Marin County. San Francisco County, as I recall, received the notice and directed that it be filed, and that was all; and the balance of the counties, I might add, have heretofore never objected to the issuance of this type of permit.

The application originally included Humboldt and Del Norte counties as submitted by the applicant, but in view of the fact that we are not clear with the Boards of Supervisors of Humboldt and Del Norte County as to the feasibility of this type of permit, the staff deleted those counties from this recommendation for permit until such time as we can have a clarified understanding with those counties.

MR. CHAMPION: And the applicant is satisfied to go ahead with the permit on this basis?

MR. HORTIG: That is correct.

MR. CHAMPION: (c) Holly Corporation -- Assignment from Lark Corporation of sublease of Lease P.R.C. 2408.1, tide and submerged lands of Carquinez Strait, Contra Costa County; (d) American Metal Climax, Inc. -- Two-year prospecting permit, 40 acres State sovereign land, Imperial County, for geothermal steam and energy, etc. at standard royalty rates; (e) Seaside Sand and Gravel Co., Inc. -- Waiver of minimum extraction requirements, Lease P.R.C. 2616.1, for lease years ending July 27, 1961, July 27, 1962, and July 27, 1963. Lessee

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unable to meet requirements because of severe storm damage.

MR. HORTIG: Mr. Chairman, if I may amplify, the recommendation for this waiver is also conditioned on the requirement that the lessee fulfill during the next lease year the minimum lease operating requirements or the lease will be terminated. It is felt that if in four years he hasn't been able to get going, there is no advantage to the continuing existence of this lease and the bookkeeping problems involved and no economic benefit either to the lessee or the State resulting out of the existence of the contract.

GOV. ANDERSON: You are satisfied the delay was occasioned by the storm damage?

MR. HORTIG: Yes -- primary cause.

MR. CHAMPION: (f) Phillips Petroleum Company -- 49-year right-of-way easement 5.256 acres of tide and submerged lands of the Santa Barbara Channel, Santa Barbara County, for submarine flow line for movement of production from Well No. 1, Oil and Gas Lease P.R.C. 2933.1, annual rental $149.31;

(g) Phillips Petroleum Company -- 49-year right-of-way easement, 4.832 acres tide and submerged lands of Santa Barbara Channel, Santa Barbara County, for submarine flow line to provide for movement of production from Well No. 3 on Oil and Gas Lease P.R.C. 2933.1, annual rental $137.26;

(h) Phillips Petroleum Company -- 49-year right-of-way easement, 6.418 acres tide and submerged lands of

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Santa Barbara Channel, Santa Barbara County, for submarine flow line to provide for movement of production from Well No. 2 on Oil and Gas Lease P.R.C. 2933.1, annual rental $182.32;

(i) Standard Oil Company of California -- Two 25-year easements for pipeline crossings of Middle River and Old River, San Joaquin County, one containing 0.222 acre, at total rental of $244, the other containing 0.136 acre at total rental of $150.

MR. HORTIG: Mr. Chairman, this results in a total rental of $394, as against pre-existing easements authorized by statutes in the 1920's pursuant to which the easements were issued at a total rental of $50.

MR. CHAMPION: It will help. I don't know that it will be significant.

MR. HORTIG: Percentagewise it is better.

MR. CHAMPION: Item (k) Santa Catalina ....

MR. HORTIG: Mr. Chairman, it is requested that item (k) be deferred, to be rechecked at the request of the applicant.

MR. CHAMPION: Do you think we might get an increase?

MR. HORTIG: I don't know which way it will go.

GOV. ANDERSON: I move them, with the exception of (a), (j) and (k), I guess. We have already taken care of those.

MR. HURLEY: Second.

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MR. CHAMPION: (To gentleman in audience) Is this on one of the items in question?

MR. JOSEPH: Yes, sir.

MR. CHAMPION: Which item?

MR. JOSEPH: Item (d). I am representing the Department of Fish and Game, and we would like more information if we can get it.

MR. CHAMPION: All right. Will you step forward for a moment? Item (d)?

MR. HORTIG: This is American Metal Climax, Inc.

MR. CHAMPION: All right. Would you identify yourself for the record?

MR. JOSEPH: Yes. I am David Joseph, Department of Fish and Game. We here in Sacramento have been unable to find out whether this particular proposed operation will entail a waste discharge that could enter the Salton Sea; and I am wondering if there is anybody here that could tell us. One other question we have: Is this, in fact, a request for the production of steam, or is this to be a waste-receiving well? Now, we have heard two stories.

MR. CHAMPION: This is a prospecting permit at the moment.

MR. HORTIG: And it is a prospecting permit for the successors in interest to the same group who have previously been operating on the other prospecting permits in Imperial County for geothermal steam. This is all part of

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a composite package, subject to the same limitations with respect to waste disposal, pollution control, et cetera, as all the prior prospecting permits that have been issued by the State Lands Commission.

This particular parcel is actually one under which there was a prospecting permit which expired and this is simply a new application to continue prospecting under the same controls and conditions, on a parcel on which there was a prior prospecting permit, with controls and conditions satisfactory to the State Water Pollution Control Board and to Fish and Game.

MR. JOSEPH: I am to understand that this would be the same sort of well as has been previously drilled?

MR. HORTIG: That is correct.

MR. JOSEPH: Now, one other question: If this well were to be simply a receptacle for waste from other wells, would the same conditions of the State Lands Commission apply?

MR. HORTIG: This permit would not authorize this well to be a receptacle for waste from other wells. What is authorized is prospecting for geothermal steam wells only.

MR. JOSEPH: And that alone?

MR. HORTIG: That alone.

GOV. ANDERSON: It's just a prospecting permit.

MR. JOSEPH: I understand.

MR. CHAMPION: Is there any further question or

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comment? (No response) It has been moved and seconded that we approve the items, and without further objection they will stand approved.

4. City of Long Beach -- Approvals required pursuant to Chapter 29/1956: (a) Authorization for Executive Officer to certify approval of "Third Agreement Amending Contract for Sale of Natural Gas," between the Board of Harbor Commissioners of the City of Long Beach, as First Party; the Superior Oil Company and Humble Oil & Refining Company, as Second Parties; and Lomita Gasoline Company, as Third Party.

(b) Prior approval to expenditure of not to exceed $30,800, by City of Long Beach from its share of tideland oil revenue, for the purchase of a heavy-duty track-laying tractor for use in the operation and maintenance of Long Beach tideland beach areas, being 88% of total estimated cost of $35,000.

Is there any comment?

MR. HORTIG: Are there any questions?

MR. CHAMPION: I assume that 88% as being the percentage of the use of the tractor involved .....

MR. HORTIG: The estimated percentage of the use of the tractor on tidelands beaches versus upland beaches.

GOV. ANDERSON: This one on the sale of natural gas -- this is new?

MR. HORTIG: No, sir. This is one of a series which the Commission has had before it, and will have more of,

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in view of the fact that these gas processing contracts were entered into prior to the time that unit agreements were entered into for fault blocks. As a fault block is finally consummated, the original sales and processing contracts must be revised to be compatible, and this is to reorganize the bookkeeping.

GOV. ANDERSON: Move.

MR. HURLEY: Second.

MR. CHAMPION: Moved and seconded, without objection the items are approved.

5 -- Selection and sale of vacant Federal land:

(a) Suzannah S. Neighbour, appraised value $4,425, bid $4,425;

(b) Hugh M. Neighbour, appraised value $5,419.80, bid $5,419.80.

MR. HORTIG: As to the second item, Mr. Chairman, if I can direct the Commissioners' attention to the photographs on the second sheet following page 29 of the agenda, in the upper left there is a photograph referring to the applicant's home. This was intended by the appraiser to show what the area off the land applied for looked like. The parcel that is applied for adjoins the area on which the applicant's home is located and the applicant's home is not located on the land that is sought on this application. The land that is sought, and the quality of it, is shown in the other three photographs. The citrus grove referred to in the second photograph is again on the applicant's fee-owned land to the north, adjoining the State parcel sought.

MR. CHAMPION: In what area are they?