

TRANSCRIPT OF  
MEETING  
of

STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA  
September 16, 1963

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PARTICIPANTS:

THE COMMISSION:

Hon. Hale Champion, Director of Finance, Chairman  
Hon. Glenn M. Anderson, Lieutenant Governor  
Hon. Alan Cranston, Controller

Mr. F. J. Hortig, Executive Officer

Mr. Alan Sieroty, Executive Secretary  
to Lieutenant Governor Anderson

STATE LANDS DIVISION:

Mr. Kenneth C. Smith, Public Lands Officer

APPEARANCES:

In the order of their appearance:

Mrs. Ruth E. Thurber, Sierra Madre  
representing thirty-nine exchange  
applicants

Mr. John C. Spence, Jr.  
Assistant City Attorney, Long Beach

Mr. Harold A. Lingle  
Deputy City Attorney, Long Beach

## I N D E X

(In accordance with Calendar Summary)

ITEM CLASSIFICATIONITEM ON PAGE OF PAGE OF  
CALENDAR CALENDAR TRANSCRIPT

1.	Call to order			
2.	Confirmation minutes 7/25/63			1
3.	PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:			
(a)	Calif. Dept. of Agric.	2	1	1
(b)	Standard Oil Company of California & Shell Oil Company	8	2	1
(c)	Tidewater Oil Company	5	3	2
(d)	Union Oil Company	7	4	2
4.	Rescission Lease PRC 245.1 and issuance new 10-year renewal to H.K. Porter Co., Inc. Thermoid Division	9	6	2
5.	Concurrence in condemnation action U.S. Dept Interior National Park Service, Ft. Reyes Nat'l Seashore-6		8	3
6.	Interagency agreement with Dept. of Justice in U.S. vs. California, No. 5, Original, U.S. Supreme Court-1		9	4
7.	Public Lands Administration Program (other than sovereign tide and submerged lands)	3	10	7
8.	Confirmation of transactions of Executive Officer:	4		17
	Mobil Oil Co.		18	
	William I. Moore		18	
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9.	Next meeting (regular meeting)			26
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continued

# I N D E X continued

## SUPPLEMENTAL      ITEM ON      PAGE OF      PAGE OF CALENDAR      CALENDAR      TRANSCRIPT

Repressuring agreement Fault  
Block I, City of Los Angeles,  
Wilmington Oil Field

10      19      4

Approval of deeds -- part of  
settlement in U. S. vs.  
Anchor Oil, et al

11      22      6

### UNCALENDARED:

Discussion of L.B.O.D.  
replacement contract

17

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## I N D E X

(in accordance with item numbers)

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### SUPPLEMENTAL ITEMS:

10	19	4
11	22	6

### UNCALENDARED

L.B.O.D. replacement contract      17

SPECIAL MEETING 9/30      24

NEXT REGULAR MEETING 10/24      26

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1 MR. CHAMPION: The meeting will please come to  
2 order. I apologize for the tardiness in getting under way.

3 The first item is confirmation of minutes of the  
4 meeting of July 25th. If there are no objections, they will  
5 stand approved.

6 Item 3 -- Permits, easements, leases, and rights-  
7 of-way issued pursuant to statutes and established rental  
8 policies of the Commission:

9 (a) California Department of Agriculture -- Ten-  
10 year lease, 1-1/2 acres vacant State school land covering  
11 Vidal Junction Quarantine Station Site, San Bernardino County,  
12 annual rental \$150, to replace Lease P.R.C. 2161.2 which ex-  
13 pired June 30, 1963.

14 (b) Standard Oil Company of California and Shell  
15 Oil Company -- Deferment of drilling requirements, Oil and  
16 Gas Lease P.R.C. 2198.1, offshore Santa Barbara County,  
17 through April 13, 1964; magnitude of data which needs review  
18 and analysis requires additional six-month deferment.

19 GOV. ANDERSON: Is this the same problem that you  
20 explained at the last meeting in the same general area?

21 MR. HORTIG: It is analogous, Governor, but it is  
22 complicated slightly further in that at the time of lease  
23 award less was known about this specific lease area than of  
24 the others in the entire series of leases we issued. As a  
25 matter of fact, for this lease more exploratory effort will  
26 have to ultimately be expended in order to determine what the

1 potentialities of this area really are. Therefore, the  
2 necessity for extensive review of the exploration data, and  
3 in view of no commercial discoveries on this particular  
4 lease, resulted in the staff recommendation that this defer-  
5 ment should be granted.

6 (c) Tidewater Oil Company -- Ten-year renewal of  
7 Lease P.R.C. 153.1, 0.3585 acre (two parcels) of State  
8 sovereign lands, Sacramento River, Sacramento County, annual  
9 rental \$716.07; for construction and use of a pier for un-  
10 loading petroleum products.

11 (d) Union Oil Company of California -- Geophysical  
12 exploration permit for six-month period from September 16,  
13 1963 through March 15, 1964; Mendocino, Sonoma, Marin, San  
14 Francisco, San Mateo, Santa Cruz, Monterey, San Luis Obispo,  
15 Santa Barbara, Ventura, Los Angeles, and Orange counties.

16 MR. CRANSTON: I move approval of those items.

17 GOV. ANDERSON: Second.

18 MR. CHAMPION: They will stand approved.

19 4 -- Rescission of action of March 29, 1962, auth-  
20 orizing Executive Officer to issue a ten-year renewal of  
21 Lease P.R.C. 245.1, covering State sovereign lands of New  
22 York Slough, Contra Costa County, and issuance of a new ten-  
23 year renewal to H. K. Porter Company, Inc., Thermoid Division.  
24 Applicant has requested area to be reduced from 2.02 acres  
25 to 0.85 acre. Annual rental \$317.22 instead of \$793.80.

26 MR. CRANSTON: I move approval.

1 GOV. ANDERSON: Second.

2 MR. CHAMPION: It will stand approved.

3  
4 -- Authorization for Executive Officer to inform  
5 the United States Department of the Interior, National Park  
6 Service, Point Reyes National Seashore, that the State concurs  
7 in the filing of the condemnation action by the United States  
8 to acquire the Limantour Sandspit, Marin County.

9 MR. CRANSTON: I'd like to hear a little bit about  
10 that.

11 MR. HORTIG: The United States Department of the  
12 Interior, in connection with the development of Point Reyes  
13 National Seashore, has the desire to file an action to acquire  
14 a sand spit for inclusion within the National Seashore area.  
15 The statute authorizing the Secretary of Interior to bring  
16 such action provides that this may be done only with the  
17 acquiescence or concurrence of the state in which such action  
18 is to be brought. The Department of Finance, the State Lands  
19 Commission, and the Attorney General's Office have consulted,  
20 and the Attorney General's Office has decided that if anyone  
21 should acquiesce, and has the authority to do so on behalf  
22 of the State of California in connection with this action, it  
23 is the State Lands Commission and such a resolution of acqui-  
24 escence is necessary before the Department of Interior can  
25 proceed with its land acquisition program.

26 MR. CRANSTON: I move approval.

MR. HORTIG: To our knowledge, we do not know that

1 there are any State lands involved in the acquisition.

2 MR. CHAMPION: There are no obstacles to the  
3 acquisition at Point Reyes without our proposing any?

4 MR. HORTIG: That is correct.

5 MR. CHAMPION: You have moved approval.....

6 GOV. ANDERSON: Second.

7 MR. CHAMPION: It stands approved.

8 6 - Authorization for Executive Officer to execute  
9 an interagency agreement with the Department of Justice pro-  
10 viding for services of the Attorney General in the action  
11 United States vs. California, No. 5, Original, U. S. Supreme  
12 Court, during fiscal year 1963-64, at cost not to exceed  
13 \$285,884.

14 GOV. ANDERSON: I move it.

15 MR. CRANSTON: Second.

16 MR. CHAMPION: Stands approved.

17 Before we go to the consideration of the next item,  
18 which is the Public Lands Administration Program, we have  
19 two supplemental items I think we can dispose of briefly and  
20 take care of whoever may be involved in those, before we get  
21 involved in a lengthier discussion.

22 Will you handle the two supplemental items for me?

23 MR. HORTIG: Mr. Chairman, you have just been  
24 handed the first supplemental item, entitled "Repressuring  
25 Agreement, Fault Block I (Ranger Zone), City of Los Angeles,  
26 Wilmington Oil Field," which has been submitted for approval

1 by the Board of Harbor Commissioners of the City of Los  
2 Angeles, in accordance with the requirements of Section 6879  
3 of the Public Resources Code.

4 The area related to Fault Block I is a portion of the  
5 developed Wilmington offshore field. They are submerged lands  
6 granted to the City of Los Angeles, as are adjoining lands, as  
7 you well know, that were granted to the City of Long Beach.

8 This is the first of a series of proposals and  
9 initial steps in connection with development of unit or co-  
10 operative agreements for Fault Block I. The Commission has  
11 heretofore approved for Long Beach, on adjoining lands, simi-  
12 lar documentation pursuant to requirements of statutes for  
13 Fault Blocks II, III, and IV, and there are also some in  
14 process for Fault Block V. This is the first by the City of  
15 Los Angeles because it encompasses tidelands of the City of  
16 Los Angeles.

17 The agreement is found to be in order; it is found  
18 to be necessary for the conduct of a repressuring program  
19 which has been approved by the State Oil and Gas Supervisor.  
20 Therefore, the approval of the document which has been gener-  
21 ated by the Board of Harbor Commissioners and approved by  
22 the Council of the City of Los Angeles is recommended to the  
23 Commission.

24 MR. CHAMPION: Any questions?

25 MR. CRANSTON: I move approval.

26 GOV. ANDERSON: Second.

1 MR. CHAMPTON: Stands approved.

2 MR. HORTIG: The second supplemental calendar item  
3 which appears on page 22 (the number is in the lower right hand  
4 corner of the material before you) is presented on the request  
5 of the Office of the Attorney General and in accordance with  
6 the statutory requirements provided by Chapter 1847, Statutes  
7 of 1963, which will result in the settlement in the case of  
8 the United States versus Anchor Oil Company and others, and  
9 a dismissal of that litigation with prejudice on the part of  
10 the United States.

11 As a condition of completion of the settlement and  
12 necessary for presentation to the court in order to get the  
13 proper judgments rendered, the statute required that as to  
14 tide and submerged lands which have been occupied by, utilized  
15 by, the Navy Department in Long Beach not previously conveyed  
16 to the Navy Department in any manner, they are to be conveyed  
17 pursuant to deeds executed by the Governor, countersigned by  
18 the Secretary of State with the State seal, after receipt of  
19 a resolution by the State Lands Commission approving the con-  
20 veyance.

21 There are two deeds attached as exhibits to your  
22 calendar item, which have been prepared in accordance with  
23 the statutes by the Office of the Attorney General and are  
24 approved by that office, and approval of the form of the con-  
25 tents of the deeds by the Lands Commission is requested and  
26 recommended.

1 MR. CRANSTON: move approval.

2 MR. HORTIG: They have been reviewed for technical  
3 sufficiency by the State Lands Division.

4 COV. ANDERSON: Second.

5 MR. CHAMPION: Do you wish to speak on this? (To  
6 some person in audience) There is no question apparently.  
7 It will stand approved.

8 Now we will return to the regular agenda and to the  
9 proposal for the Public Lands Administration program. As  
10 most of you know, this is something we have had under con-  
11 sideration for a long period of time. We have held extensive  
12 public hearings, extensive discussions on this. The Legisla-  
13 ture did the same, offered comments, and some of them have  
14 been incorporated in the proposal which is being advanced  
15 today. I don't think that there are now any new items on  
16 this.

17 I might ask Mr. Hortig to summarize, not to list  
18 the entire policy recommendations; but before I do that, I  
19 want to make two things clear: That under the State's pro-  
20 cedures, if there is -- I think within one hundred twenty  
21 days after new regulations are established -- any protest,  
22 another hearing can be called to consider any further testi-  
23 mony on this subject. So that, while I would expect that the  
24 Commission would act on this proposal today, there is that  
25 further avenue of discussion for someone who wishes to do so.  
26 That isn't to preclude any comment or protest today, but I

1 just wanted everyone to be familiar with the background ,  
2 the fact that this is now in final form before us for action,  
3 and probably we would want to proceed.

4 I want to make it clear further that, while this is  
5 a very comprehensive policy program, there are items in it  
6 that are ministerial in nature and are subject to review and  
7 change by the Commission at its own discretion; but we did  
8 want, for the first time in many decades, to give the State of  
9 California a broad and consistent policy and method of handl-  
10 ing this increasingly archaic approach to the public lands  
11 problem.

12 Frank, would you like to make a brief presentation  
13 of what is involved?

14 MR. HORTIG: Preliminarily, Mr. Chairman, I think I  
15 should amplify that, actually, the opportunity for further  
16 comment will be two-fold. First, further presentation or  
17 suggestions or comments for modification can be presented to  
18 the State Lands Commission at any time and can be accepted  
19 and adopted by the State Lands Commission as a matter of  
20 policy at any meeting of the State Lands Commission.

21 Second, on the assumption that the program under  
22 consideration here today will be adopted as a matter of  
23 policy, then implementation of that policy will require, and  
24 the action by the Commission will authorize, the preparation  
25 and consideration of modified rules and regulations in order  
26 to permit this policy to be carried out. For rules and

1 regulations to be adopted into the California Administrative.  
2 Code, an additional series of public hearings are necessary  
3 as to the content of those proposed rules and regulations and  
4 report to the State Lands Commission before they are adopted  
5 in turn, at which time there is then again public opportunity  
6 to comment on the sufficiency or insufficiency or desirability  
7 of any phase of the program.

8 In summary -- you have covered it already most  
9 succinctly, Mr. Champion, -- the fundamental premises of this  
10 program, which will be an administration program for a State  
11 Lands Commission for the first time in the history of State  
12 lands' administration by a Commission in the State of Cali-  
13 fornia -- and this is pursuant to action by this particular  
14 Commission -- contemplates classification of the remaining  
15 lands under the jurisdiction of the State Lands Commission,  
16 and that includes those remaining lands to which the State is  
17 entitled from the United States; to classify these lands for  
18 their highest and best use; to have them available for public  
19 use, where public use is the highest and best use, for recrea-  
20 tion and other State development programs; also to have lands  
21 available for lease for military, silviculture, grazing, and  
22 other related purposes, where the lease procedure under the  
23 direction of the State Lands Commission will result in a  
24 maximum of return to the State on these lands, which were  
25 granted to the State at least with an honorary trust obliga-  
26 tion that when utilized the proceeds from these lands will be

1 the maximum that can be reasonably obtained therefor for the  
2 benefit and support of the common schools.

3 The final step in the proposed program will provide  
4 for sales of land for which applications can be received as  
5 they have been heretofore, prior to May 24, 1960 -- applica-  
6 tions to purchase such lands pursuant to competitive public  
7 bidding. The resulting sale, with the minimum bid to be at  
8 the appraised value of the land, will of course result also  
9 in increments to the school fund, and also a replacement of  
10 such lands on the local tax rolls in the counties in which  
11 they are sold.

12 MR. CHAMPION: Do any of the Commissioners have  
13 either comments or questions?

14 MR. CRANSTON: I'd like to ask one question on  
15 Recommendation 7, subsection 3, on page 13. From the  
16 original draft there has been a revision to eliminate the  
17 requirement that the full amount of the offer in cash must  
18 accompany the original effort to acquire a piece of State  
19 land; and I note that there is now a minimum of \$2,500 recom-  
20 mended. I'd like to ask: Upon what basis did you hit upon  
21 that as a figure?

22 MR. HORTIG: Actually, this is not a minimum. This  
23 is a ceiling beyond which it would be proposed that an appli-  
24 cant to purchase would not have to deposit the full cash  
25 price; that full appraised value would be deposited if the ap-  
26 praised value did not exceed \$2,500; that on lands appraised

1 at more than \$2,500 the initial bid be accompanied only by a  
2 deposit of twenty per cent of the appraised value.

3 MR. CRANSTON: This would have the effect of making  
4 a minimum of \$2,500 in any case?

5 MR. HORTIG: No, sir, up to \$2,500. If a parcel  
6 were appraised at \$500, why, the deposit would be \$500. Up  
7 to \$2,500, the deposit would be up to that \$2,500; and beyond  
8 \$2,500, twenty per cent of the appraised value.

9 There are patently infinite numbers of methods and  
10 cutoff points that can be selected. However, in view of the  
11 fact that the lands may be sold by the Lands Commission pur-  
12 suant to law only for cash, it was felt that benefit would be  
13 achieved in connection with larger appraised tracts of land  
14 where large amounts of money might be held up to ninety days,  
15 to minimize this loss to a prospective bidder by permitting  
16 him to deposit only twenty per cent of the money; whereas,  
17 in the other instances of the lower price parcels of land,  
18 which are usually processed much more expeditiously, inasmuch  
19 as cash must be offered to the Commission under the law, it was  
20 felt that up to \$2,500 might not be an excessive break-over  
21 point.

22 It is recognized that no matter where the break-over  
23 point comes, someone can justifiably contend that there might  
24 be someone bidding only ten dollars over the break-over point  
25 having the advantage of the lower deposit. There have been  
26 other alternatives discussed. Do you intend to raise an

1 alternative suggestion on this, Mr. Sieroty?

2 MR. SIEROTY: I think there is a possibility here  
3 which just would not seem fair -- where a person would have  
4 a bid in for \$3,000 -- that he would only put up \$600; where-  
5 as, at \$2,400 he would have to put up the entire amount. We  
6 have in this program no time between the confirming of the  
7 bid and the time the money is to be put up. I guess this  
8 will be covered by rules?

9 MR. HORTIG: This will be in the rules and regula-  
10 tions and the proposal we can set is to utilize the standard  
11 time period for land sales by the Commission, which would be  
12 twenty days.

13 MR. SIEROTY: But I think you would still have a  
14 cash sale by allowing twenty per cent down payment on the bid.  
15 I would suggest that we have an over-all twenty-percent  
16 deposit, with a minimum of \$500.

17 GOV. ANDERSON: I was going to suggest that.

18 MR. HORTIG: Did I understand that? This would  
19 mean on any deposit, the appraised value of the land up to  
20 \$500 and then twenty per cent on any that exceed the \$500?

21 MR. CHAMPION: He said there would be a minimum of  
22 \$500. In other words, if it were \$700, you would still have  
23 \$500 instead of twenty per cent.

24 MR. HORTIG: \$500 on a \$300 parcel?

25 MR. CHAMPION: A minimum of \$500 for anything that  
26 is over \$500.

1 MR. HORTIG: Right, and no twenty per cent  
2 increment beyond?

3 GOV. ANDERSON: Twenty per cent increment beyond  
4 that.

5 MR. CHAMPION: Twenty per cent, with a minimum of  
6 \$500 except on amounts under \$500.

7 MR. CRANSTON: Would you require the full amount  
8 under \$500?

9 GOV. ANDERSON: I would think you would have to  
10 protect the Division from very small amounts.

11 MR. SIEROTY: I might point out every applicant  
12 has to put up \$350 in addition to the deposit.

13 MR. HORTIG: Right; in addition to the bid deposit.

14 MR. CHAMPION: It is an acceptable solution to me.  
15 How do you feel about it?

16 GOV. ANDERSON: I like it the way you stated it.

17 MR. CHAMPION: Then we will amend the policy to  
18 show that the bid deposit should be not less than \$500,  
19 except where the parcel is below \$500; twenty per cent  
20 beyond that point, but obviously with a \$500 minimum.

21 GOV. ANDERSON: I liked it better the way you said  
22 it the first time.

23 MR. CHAMPION: So did I, but I couldn't remember it.

24 GOV. ANDERSON: You had twenty percent with a \$500  
25 minimum, except where the sales price is less than the mini-  
26 mum -- then it would be the full amount.

1 MR. CHAMPION: Right.

2 MR. SIEROTY: In effect.....

3 MR. CHAMPION: Let's not restate it again.

4 MR. SIEROTY: Not to restate it, but where in the  
5 leasing of our tidelands oil properties we require twenty  
6 per cent by oil companies, I think in this way the person  
7 bidding on small lands would be given the same consideration.

8 MR. CHAMPION: Well, that will be a change in the  
9 document as presented to us. Now, are there any further sug-  
10 gestions from the Commissioners or members of the staff?  
11 (No response) If not, I think we are ready for the audience.  
12 Will you state your name for the record, please?

13 MRS. THURBER: I am Ruth Thurber, representing  
14 thirty-nine applicants under two exchanges -- Exchange 67  
15 and Exchange 75, which are about seven years old; and I am  
16 speaking directly to this subject which you have been discuss-  
17 ing, Number 7. I merely wish to inquire if any of these  
18 changes which are being made now, being decided upon now,  
19 could abrogate the agreements reached with these applicants  
20 in the beginning under the printed purchase-of-land contract.

21 In other words, will this \$350 in addition be re-  
22 quired when the original contract was for a smaller sum to  
23 be deposited, that has already been deposited?

24 MR. CHAMPION: I think the best way to answer this  
25 is to have Mr. Hortig explain the whole question of the  
26 standing applications.

1 MRS. THURBER: In that case, may I ask another  
2 question? Three things I would like clear would be, under  
3 number 7, I want to confirm the fact that the acceptance of  
4 "those applications filed for purchase" does cover these two  
5 exchanges, Mr. Hortig.

6 MR. HORTIG: Yes ma'am.

7 MRS. THURBER. The second one is: Will those ex-  
8 changes require an additional \$350 under (2) when they are  
9 approved?

10 MR. SMITH: Mrs. Thurber, at the time the sale is  
11 made under (2) which you refer to, the deposit will be re-  
12 quired to cover expenses, yes, in addition to that which is  
13 now on file.

14 MRS. THURBER: Well, the original contract with  
15 these people filing gave specifically the amount of money  
16 that should be deposited previous to the sale, and that  
17 amount of money was deposited; and I am wondering how any  
18 new rules can be operated now.

19 MR. SMITH: The amount to which you refer is the  
20 minimum initial deposit to qualify an application. Then,  
21 when it reaches the stage of processing we require an addi-  
22 tional expense deposit to cover actual expenses incurred.

23 MR. HORTIG: I might amplify that that has been in  
24 effect at all times pursuant to any application filed here-  
25 tofore.

26 MR. CHAMPION: I think to answer it simply, nothing

1 is changed for those applicants by the action contemplated  
2 today.

3 MR. HORTIG: This is correct, Mr. Champion. This  
4 was reported to the Senate Fact Finding Committee; for the  
5 benefit of Mrs. Thurber, it was reported to Assemblyman  
6 Lanterman on her behalf. Nothing with respect to any appli-  
7 cation on file prior to May 24, 1960 is being changed.

8 MRS. THURBER: That's fine, and that also includes  
9 under number 14, number (2)?

10 MR. CHAMPION: It includes everything, Mrs. Thurber.

11 MRS. THURBER: It does?

12 MR. CHAMPION: Yes.

13 MRS. THURBER: Splendid. Thank you very much. In  
14 other words, nothing can be retroactive that is decided today.  
15 Thank you very much.

16 MR. CHAMPION: Certainly. Is there anyone else  
17 who wishes to appear on this matter?

18 MR. HORTIG: Mr. Chairman, if the Commissioners  
19 will refer to page 14, recommendation 15, there is a repro-  
20 duction error in recommendation 15: Sixth line, after the  
21 word "available," strike the comma and "agencies agree."  
22 That was in the prior rough draft. The rest of the resolu-  
23 tion still serves and reads correctly with that deletion.

24 MR. CRANSTON: Mr. Chairman, I move adoption of  
25 the recommendations

26 GOV. ANDERSON: Second.

1 MR. CHAMPION: They will stand unanimously approved,  
2 with the understanding that we will now proceed to implement  
3 new rules and regulations where necessary.

4 Item 8 -- Confirmation of transactions consummated  
5 by the Executive Officer pursuant to authority confirmed by the  
6 Commission at its meeting on October 5, 1959.

7 MR. HORTIG: Consisting again, Mr. Chairman, of  
8 extensions of previously authorized geological and geophysical  
9 survey permits and one grazing lease.

10 MR. CRANSTON: Move confirmation.

11 GOV. ANDERSON: Second.

12 MR. CHAMPION: Stand approved. This is not on the  
13 agenda, although at the last Commission meeting we discussed  
14 the fact that we would try to have a discussion of the L.B.O.D.  
15 replacement contract at this time. Unfortunately, we did not  
16 get the final draft of the proposed agreement from the City  
17 of Long Beach, from the Harbor Commission of the City of Long  
18 Beach, until today -- so that we are not in a position to  
19 have a staff analysis. However, I have asked the representa-  
20 tives of the Harbor Commission to make a brief presentation  
21 of the principles involved in the contract and we are still  
22 of a mind that we must hurry on this. So there probably will  
23 be, and we will try to set it up before the meeting adjourns  
24 today, a special meeting to consider finally this matter, or  
25 at least to consider it again in detail with a report from  
26 the staff with recommendations.

1 MR. SPENCE: For the record, my name is John Spence,  
2 Assistant City Attorney of Long Beach. Just to review the  
3 background of the contract, I might point out and call your  
4 attention to the fact that we had submitted the outline of  
5 the contract, the complete contract I should say, to the staff  
6 of the Lands Commission on the 23rd of July and to each member  
7 of the Commission on the 25th of July. Thereafter, the staff  
8 of the Harbor Department and the City Attorney's Office met  
9 with Mr. Hortig's staff and members of the Attorney General's  
10 Office to consider certain changes, which were a matter of  
11 form -- at least, we thought they were a matter of form  
12 rather than substance -- and after those pages had been re-  
13 vised incorporating the suggested changes, we furnished those  
14 to the Attorney General's Office and to Mr. Hortig's office.

15 Today we have delivered to Mr. Hortig copies for  
16 the use of his staff and for the use of the members of the  
17 Commission and for the Attorney General's Office. This draft,  
18 while it is in final form in that we have eliminated spaces  
19 and pages and so forth, is substantially the same draft as  
20 you gentlemen received on the 25th, with the changes that  
21 were suggested by the Harbor Department, by the Attorney  
22 General's Office, and by Mr. Hortig. So that I think, insofar  
23 as the City of Long Beach is concerned, we consider this a  
24 final draft; and we hope and trust the Lands Commission will  
25 be able to consider it in the month of September because it  
26 is imperative that this contract go out to bid this month.

1 At your request, Mr. Champion, I'd like to hit  
2 some of the highlights of the contract principles.

3 MR. CHAMPION: Would you just answer one question  
4 before you do this?

5 MR. SPENCE: Yes.

6 MR. CHAMPION: This is now fully approved by the  
7 Harbor Commission and the City Council of Long Beach?

8 MR. SPENCE: Yes, sir. The term of this contract  
9 is twenty-five years, and the successful bidder will operate  
10 the property under the direction of the Board of Harbor Com-  
11 missioners. This is under A.P.I. standards and good oil  
12 field practice. Third, the operator will take, account, and  
13 pay for all oil on the basis of the average posted price and  
14 valued on the nearest one-tenth of a degree of A.P.I. gravity.

15 Four, the operator will be reimbursed for his actual  
16 cost out of one hundred per cent of the value of allocated and  
17 produced oil. Non-reimbursable expenses, in general, are  
18 cost of performance bonds, income taxes, and corporate expenses.

19 Five, the operator will be compensated out of the  
20 percentage of net profits.

21 Six, the bid factor will be the percentage of net  
22 profits to be paid to the City.

23 Seven, the operator may terminate on one hundred  
24 eighty days written notice if he can demonstrate to the  
25 satisfaction of the Board of Harbor Commissioners that his  
26 operations under the contract are no longer profitable; and,

1 conversely, the Board of Harbor Commissioners can terminate it  
2 on the same basis.

3 MR. CHAMPION: Does this differ in any substantial  
4 way from your present operating contract in that field?

5 MR. SPENCE: With L.B.O.D.?

6 MR. CHAMPION: Right.

7 MR. SPENCE: As far as the average posted price, it  
8 is substantially the same. Of course, there is a difference  
9 in the L.B.O.D. contract. There is a guarantee to the con-  
10 tractor of fourteen and forty-five one hundredths per cent  
11 of the value of the oil and there is another guarantee to the  
12 City. The reason there is this difference between the L.B.O.D.  
13 contract and the present contract is that this is an existing,  
14 declining field. You might say it is declining because we  
15 have had twenty-five years of production behind us and we  
16 have to look forward to perhaps after the twelfth or fourteenth  
17 year. In substance, under this new contract we don't believe  
18 that the production will be on the upgrade. We believe it  
19 will be on the decline.

20 MR. CHAMPION: Any further questions?

21 GOV. ANDERSON: Yes. I'd like to have you develop  
22 a little bit for me the average posted price -- how you  
23 arrive at that, the area concerned, and so forth.

24 MR. SPENCE.: Yes, sir. First, I better mention  
25 the fact that the contractor isn't going to be paid for any  
26 gas produced because by the time this contract is executed

1 by the successful bidder, there won't be much gas down there  
2 for him to worry about.

3 There are three types of oil involved in the con-  
4 tract, which is somewhat different than our East Long Beach  
5 Unit. First, we have what is known as allocated oil. That  
6 is oil assigned by the unit coordinators, by the unit opera-  
7 tors of the field in Fault Blocks II, III and IV; V isn't  
8 consummated yet, but we hope it will be shortly. Then, we  
9 have produced oil. That is oil produced from non-unitized  
10 formations. Then we have what is called pay-back oil. That  
11 is oil paid to the City to reimburse it for capital costs  
12 either before or after unitization.

13 Now, the contractor is not going to get any part  
14 of that pay-back oil. He hasn't produced it. It is just oil  
15 paid to the City to reimburse it for capital expenses advanced  
16 to the unit.

17 Now, all the oil is valued on the basis of the  
18 highest of either, first, the price equal to the arithmetic  
19 average of prices posted by continuing purchasers in the  
20 field, or arithmetic average of the posted prices of Standard,  
21 Union, Texaco and Mobil in Wilmington Field, Huntington Beach,  
22 Signal Hill and Inglewood.

23 Now, if the contractor -- or one or more of the  
24 corporations comprising the contractor as a joint bidder -  
25 pays an average higher than the posted price to others in the  
26 Wilmington Field, such average posted price will have to be

1 paid by the contractor to the City.

2 GOV. ANDERSON: Now, the area in which you deter-  
3 mine this, is that the area of Wilmington, Inglewood, Signal  
4 Hill and Huntington Beach? Is that the area you are talking  
5 about?

6 MR. SPENCE: We take the Wilmington Field, we  
7 average that; and we take the other four fields, and average  
8 that; and he pays the average in those two fields.

9 GOV. ANDERSON: I am not entirely clear on that.

10 MR. SPENCE: Well, perhaps an engineer ought to  
11 answer your question.

12 GOV. ANDERSON: Sometimes I get it a little easier  
13 when I don't ask an engineer. Average over what period of  
14 time?

15 MR. SPENCE: The daily average.

16 GOV. ANDERSON: In other words, the daily average  
17 price?

18 MR. SPENCE: Yes -- for oil of like gravity on the  
19 day the oil is run into the pipelines or the tanks of the  
20 contractor.

21 MR. CHAMPION: I think it might be well to review,  
22 at least momentarily, the schedule here, which has escaped  
23 me -- your time problem.

24 MR. SPENCE: Yes.

25 MR. CHAMPION: You feel that you need to go to bids  
26 in October, in order to get what subsequent results?

1 MR. SPENCE: We feel that this contract should go  
2 out for bid by the first of October in order to give the oil  
3 companies an opportunity to examine the contract and arrive  
4 at a good bid for the City and State. We feel sixty days is  
5 a minimum on that. We would like to have the bids opened by  
6 the first of December and awarded by the 15th of December.  
7 That means that from the 15th of December on, the contractor  
8 or the successful bidder has fifteen days in which to execute  
9 the contract, his performance bond, and furnish the insurance  
10 that is necessary under the contract. That branches out to  
11 something after January 1, 1964. Then the contractor will  
12 have to have additional time to go into all of the mechanics  
13 and ramifications of the accounting procedures, because he has  
14 to deal not only with produced oil that is right off the  
15 properties, but also unit oil; and if he doesn't understand  
16 those unit agreements, he is in for a bad time.

17 MR. CHAMPION: He may be in for the profit on his  
18 contract if he doesn't understand them in advance.

19 MR. SPENCE: Yes, but he doesn't have much time to  
20 understand them in advance if he happens to be a stranger in  
21 the Wilmington Field.

22 MR. CHAMPION: Your ultimate aim is that your  
23 present contract will expire and you must be ready for opera-  
24 tion under the new contract on the date of the expiration of  
25 the old. What is the date of expiration?

26 MR. SPENCE: The expiration is midnight of the 20th

1 of March, 1964.

2 MR. SIEROTY: Isn't there a provision in the contract  
3 regarding a holdover after the 20th?

4 MR. SPENCE: You mean L.B.O.D.?

5 MR. SIEROTY: Yes.

6 MR. SPENCE: No, sir. It expires on March 20, 1964  
7 and we can't drink the oil down there, either.

8 MR. CHAMPION: It will be more profitable to us if  
9 you don't drink it.

10 MR. SPENCE: It sure will be and for us, too.

11 MR. CHAMPION: Is there any further question or  
12 comment on the situation at this time? (No response) Let's  
13 try to set the time. The time has been proposed, September  
14 30th, to give our state maximum time. Is that acceptable?  
15 (Assent indicated by other Commissioners) All right. We  
16 will set, then, a special meeting at ten a.m. -- and if it is  
17 all right with the others, I'd like it in Sacramento.

18 MR. CRANSTON: Yes.

19 MR. CHAMPION: Ten o'clock, September 30th, in  
20 Sacramento -- a special meeting on this subject. Now, if  
21 necessary, there may be some other items on the agenda; but  
22 we will try to restrict it to this item if possible.

23 MR. CRANSTON: I would like to ask one question on  
24 your calendar. I have no idea whether the Lands Commission  
25 at this point will want any changes or will accept the entire  
26 thing as submitted. Supposing we do find something that needs

1 changing, how do you go about your calendar?

2 MR. SPENCE: That would have to go back to the Board  
3 for their concurrence. It all depends, of course, when these  
4 changes are suggested to us. We hope there won't be any. We  
5 understand, of course, that we are not committing Mr. Hottig's  
6 office or Mr. Golden's office. They have indicated that they  
7 have given us all the changes they had in mind at the moment,  
8 but in fairness to them I want to say that they stated to us  
9 that they may have additional changes -- they don't know what  
10 the changes might be; but if there are any changes, we cer-  
11 tainly should have them at least a week before the meeting.

12 MR. CHAMPION: I think what we should arrange to do,  
13 if we have any fundamental problems there should immediately  
14 be a conference to let you know what they are; and whether it  
15 will be necessary to have an official meeting or not, I don't  
16 know, but it would involve conferring with the Commissioners  
17 and the staff, and we will give you such advance notice if  
18 possible.

19 MR. SPENCE: Yes.

20 MR. CHAMPION: Is there anything further on that  
21 subject? (No response) Thank you very much, Mr. Spence.

22 MR. CRANSTON: While we are on the subject of Long  
23 Beach, I'd just like to ask the representatives here of Long  
24 Beach the present status of the Wilmington Oil Field proposals  
25 which you had from us in June.

26 MR. CHAMPION: Mr. Lingle?

1 MR. LINGLE: I have no new developments to report.  
2 The City Council was involved in these -- they have to approve  
3 them also -- and I have no new developments.

4 MR. CHAMPION: They have not scheduled any further  
5 action since they have approved L.B.O.D.?

6 MR. LINGLE: No, they haven't.

7 MR. CHAMPION: They have not. Thank you very much.  
8 That leaves the only business still before the Commission the  
9 reconfirmation of date, time and place of the next Commission  
10 meeting -- Thursday, October 24, 1963, at ten a.m. in Los  
11 Angeles, if that is satisfactory.

12 GOV. ANDERSON: If that's the same one.

13 MR. CRANSTON: Yes.

14 MR. CHAMPION: That will be the time of the next  
15 meeting, with the exception of the special meeting that we  
16 just scheduled.

17 Is there any further business to come before the  
18 Commission? (No response) The meeting stands adjourned.

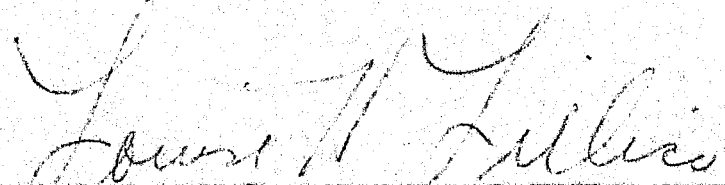
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20 ADJOURNED 12:03 P.M.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, hereby certify that the foregoing twenty-six pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California on September 16, 1963.

Dated: September 18, 1963.

  
Hearing Reporter  
Office of Administrative Procedure