

1 MR. SARGENT: No. That, that is the worst piece of
2 ground in the whole mile, the whole square mile.

3 GOVERNOR ANDERSON: Now you aim to eventually own this
4 yours f?

5 MR. SARGENT: Yes, sir.

6 GOVERNOR ANDERSON: Do you have objection to being a
7 tenant of the County if this developed this way?

8 MR. SARGENT: Personally I don't. Naturally, a man
9 likes to own his own ground -- far and superior to leasing
10 or renting. And the County has -- I don't see where it
11 would be feasible, sir, and I don't see the object of it.
12 Why should the County buy it and then lease it to me? And
13 I can -- thought of purchasing it outright. I would still
14 -- it comes down to the same, I would still, if they were
15 energetic in their aspirations in allowing me to stay there,
16 there would only be one object as far as I can see, is this,
17 that they could dispossess me at their will. Otherwise,
18 there would be no object in me refusing to, the land.

19 THE CHAIRMAN: Any other questions? Thank you very
20 much, Mr. Sargent.

21 MR. SARGENT: Thank you.

22 THE CHAIRMAN: Can we hear now from the staff? I thought
23 statement that
24 it was highly unusual, that/the staff has been silent on.

25 MR. HORTIG: Mr. Chairman, we have received a request
26 from Senator Quick. That letter which I have before me may
be read into the record, and since it leads into the

1 presentation by Imperial County, it would appear appropriate
2 that this be read at this time with your permission.

3 "Reference is made to your next meeting
4 of the State Lands Commission, more
5 particularly to Calendar Item Number
6 ten on your agenda, regarding Exchange
7 Application Number 65, Delbert J. Sargent,
8 Imperial County.

9 As you are aware, the County of
10 Imperial is vitally concerned regarding
11 this, and desired to obtain certain
12 lands in connection with this area
13 for Imperial County. Therefore a
14 representative from Imperial County
15 will appear at your November 6 meeting
16 and present testimony in behalf of this
17 County. It appears that their testimony
18 and application should be given favorable
19 consideration, and I will appreciate
20 your consideration in behalf of Imperial
21 County in this matter. Copies of the
22 report are being forwarded to the
23 chairman and members of the State
24 Lands Commission.

25 Very truly yours, Aaron W. Quick."

26 THE CHAIRMAN: Thank you, Mr. Hortig.

1 Would the representative of Imperial County please
2 step forward?

3 MR. PIERSON: Mr. Chairman, gentlemen, my name is
4 David E. Pierson. I am Director of Public Works for the
5 County of Imperial. I also have with us today Mr. Foote,
6 County Counsel for the County of Imperial, and supervisor
7 of the County of Imperial. I would like to make a short
8 presentation on the planning of the area, and then Mr. Foote
9 will come on from the legal standpoint.

10 The area applied for, this is our application to
11 the Bureau of Land Management, surrounding a hot mineral well,
12 the waters of which are known throughout the country for their
13 therapeutic value. The County of Imperial has obtained a
14 patent from the Federal Government for the 70 acres shown on
15 Map Number M-190.2. It has applied for a patent on the re-
16 maining acreage in this section for the purpose of developing
17 a major recreational area. The hot mineral spa area is in
18 great need of planned and controlled public recreational
19 development. It has heretofore been maintained in an
20 incomplete and haphazard manner. Adequate recreational
21 facilities have not been installed. Despite this, however,
22 the area each winter attracts thousands of persons from all
23 over California and the rest of the country seeking the
24 benefits of the hot mineral baths. As much as 400 trailers
25 have been located in the area and surrounding countryside.
26 This county believes that a well-organized health resort

1 combined with recreational development and a large senior
2 citizens center may be constructed, as outlined in the
3 attached map, and that maximum public benefit will result
4 in such construction as planned or undertaken on a lease
5 or concession basis under county supervision. The ultimate
6 development around the hot mineral spa area will probably
7 take in many sections of land. Imperial County is planning
8 and developing section 2, will be attempting to establish
9 a nucleus of acreage directly relating to the mineral well.
10 Other incidental and perhaps unrelated projects will follow
11 in adjacent sections under private ownership. The plan
12 effected under Map Number M-190-3 contemplates construction
13 of facilities for trailer parks, triplex rental units and
14 senior citizen dormitories. This complex must be close to
15 the mineral baths in order to provide maximum access to the
16 baths for persons with decreased mobility. The light
17 recreation area, including golf courts, tennis courts,
18 riding stables, drive-in theater, are complementary family
19 uses. In attracting a health resort area flexibility and
20 planning is essential; in view of the desire of the County
21 to develop this area on a lease or desirability basis, I
22 desire to emphasize this flexibility standpoint. The
23 facilities on the attached map, however, have been fully
24 successfully developed in the area, in this area.
25 Maximum benefits of the development of this area may best
26 be accomplished under the control of the County. The

1 precedent for improvements on the property surrounding the
2 spa will be established by this facility. It is believed
3 that the entire region will benefit from the construction
4 of a properly planned and controlled health resort in this
5 section. Thank you.

6 THE CHAIRMAN: Have you had discussions with Mr.
7 Sargent? Has there been any effort to recognize the
8 investment that he has there and what he feels are his needs
9 for expansion, or have there been such negotiations or
10 discussions?

11 MR. PIERSON: I'd like to refer that to Mr. Foote, sir.
12 Yes, he has had negotiations with Mr. Sargent.

13 THE CHAIRMAN: I'd like to hear from Mr. Foote, unless
14 -- do you have any questions? All right, fine.

15 MR. FOOTE: Gentlemen, I am Orlando B. Foote, Imperial
16 County Counsel. And with respect to Mr. Champion's last
17 question, on July 8th or 9th of this year, subsequent to
18 our acquisition of the 70 acres immediately surrounding the
19 hot mineral spa -- when I say "we" -- being two members of
20 the Board of Supervisors and myself -- met with Mr. Sargent
21 with respect to the possibility of negotiating an area for
22 expansion on a lease basis. Mr. Sargent made the same state-
23 ment at that time that he made to you, which was that he
24 felt that he was entitled to the entire 220 acres and that a
25 lease would be meaningless to him, in that --

26 THE CHAIRMAN: Excuse me. Let me ask you this one

1 additional question. We -- leave aside the question of
2 expansion, but look at the present operation and investment,
3 is there any bar to leaving that there, in the kind of
4 development you have in mind; in other words, recognizing the
5 present level of activity?

6 MR. FOOTE: Speaking on behalf of the Board of
7 Supervisors, I think I can safely say that there is no bar
8 to that type of development on a lease basis. The primary
9 concern with Mr. Sargent's acquisition of fee interest is
10 the problem of control of the development. Mr. Sargent
11 operates a tropical fish farm, which is not a hindrance
12 to our proposed development, and as it is presently
13 constituted or as he may consider reasonable expansion,
14 certainly not to the extent of 220 acres, but reasonable
15 expansion.

16 MR. CRANSTON: What reasonable expansion do you feel
17 could be made possible without upsetting entirely the
18 County's interest?

19 MR. FOOTE: Well, that is hard to state right now,
20 Mr. Cranston. I would think that certainly a 20-acre
21 expansion would not injure the proposed development of this
22 area. However, this, of course, is something that would
23 have to be gone into in considerable detail by the plaintiff.

24 GOVERNOR ANDERSON: But you feel that should be on a
25 lease basis and not on a fee title, as far as Mr. Sargent is
26 concerned; why?

1 MR. FOOTE: Very definitely.

2 GOVERNOR ANDERSON: Why?

3 MR. FOOTE: The basic problem, as I said, is control.
4 The County has no objection to entering into a long term
5 lease with Mr. Sargent, we feel long enough in years to
6 protect his investment, as it is substantial, and the
7 Board of Supervisors recognizes that it is substantial.
8 However, in the long run -- and we are talking in terms
9 of many years to come -- the development of this area
10 could be hindered by an operation other than a tropical
11 fish hatchery, could be very directly hindered, and of course
12 if Mr. Sargent has fee title to this area, he is free to
13 dispose of it to whomever he wishes without control. And
14 so the problem is in development of this area which is in
15 the public interest, and as has been determined by the
16 Board of Supervisors to be in the public interest. The
17 problem is in protecting the substantial and the continuation
18 of that development against developments on this, on the
19 area of Mr. Sargent's application, which --

20 THE CHAIRMAN: Or a change in character in the
21 development?

22 MR. FOOTE: Exactly.

23 THE CHAIRMAN: When you are talking about a long term
24 lease, what are you talking about, 99 years?

25 MR. FOOTE: I believe the terms that would discuss that
26 initially with Mr. Sargent were 50 years. I am not too

1 certain about that, but 50 years, this would be an initial
2 thought on the part of the Board.

3 GOVERNOR ANDERSON: If the County were to prevail,
4 what happens, how do you adjust with Mr. Sargent for his
5 investment and his riparian rights and other things?

6 MR. FOOTE: With respect to the riparian rights,
7 Mr. Sargent made reference to several cases dealing with
8 springs. There has been no determination whether the well
9 involved in this is a spring or a well. This is something,
10 of course, that would have to be determined legally.
11 However, Mr. Sargent did some time ago make application to
12 the State Water Rights Bureau for a water right, and that
13 application was rejected, on what grounds, I do not know,
14 but it was rejected. So I question whether or not Mr. Sargent
15 at this time has any riparian rights. He at no time had
16 any more than a five-year experience land lease permit from
17 the Bureau of Land Management, and I am sure that I see how
18 his rights would rise above the length of that permit. And
19 also with respect to Mr. Sargent's present status on the
20 property, he stated that he has a lease or a permit. The
21 permit is for one year, and I am informed by the Bureau of
22 Land Management that it is subject to a 30-day cancellation
23 on the determination of your Body with respect to his
24 current application.

25 GOVERNOR ANDERSON: What about the improvements, his
26 current improvements?

1 MR. FOOTE: Well, we feel that a long term lease would
2 give him a sufficient basis to amortize his investment.

3 GOVERNOR ANDERSON: In other words, you wouldn't give
4 him any cash for his investment, but would give him a loan
5 of rental, so that the effect over a long term period would
6 take care of that?

Tape #2

7 MR. FOOTE: Well, we feel that a long term lease
8 at a reasonable rental would give him an opportunity to
9 amortize his investment.

10 GOVERNOR ANDERSON: What type of a rental have you
11 talked about? Similar to what he has with the present
12 Land Management?

13 MR. FOOTE: Frankly, sir, we haven't talked about it.
14 We haven't discussed it with Mr. Sargent, because Mr.
15 Sargent just flat won't talk in terms of a lease. That's
16 about where we are, so the Board hasn't made any determination
17 of what would be a reasonable rental value, nor have I, nor
18 have any of the persons who have been involved with this
19 planning.

20 THE CHAIRMAN: What would be the County's view of this
21 alternative method of settling this problem, that is, if
22 we were to proceed -- and I have some question about that --
23 but if we were to proceed with the exchange of land and
24 Mr. Sargent were to take title of it, that then would put
25 you in a position of necessarily condemning that which you
26 felt you had to have or had to control; what would be the

1 County's view of that possibility?

2 MR. FOOTE: Well, of course the problem is an immediate
3 one. The area needs development very, very badly, and we
4 have discovered through painful negotiation with prospective
5 investors in that area that the 70 acres immediately
6 surrounding the well itself is just not sufficient to justify
7 the type of operation that is necessary. Condemnation, of
8 course, can run over a rather extended period of time. We
9 have no right of immediate possession, or would have no
10 right of immediate possession were we to institute condemna-
11 tion proceedings.

12 THE CHAIRMAN: Would that not also limit the character
13 of the lease that you could have with respect to private
14 investors?

15 MR. FOOTE: It would, indeed, very directly, under the
16 present circumstances. In other words, if we have to --
17 if we are in a position to condemn prospective area to
18 provide prospective investors, this would certainly limit
19 our ability to develop this area in the manner which the
20 Board proposes.

21 THE CHAIRMAN: Having condemned it for a purpose, you
22 have got to give demonstration?

23 MR. FOOTE: Very definitely.

24 THE CHAIRMAN: Are there any further questions?

25 Mr. Hortig, I'd like to ask another question about
26 present and past policy in this case, where we have had a

1 prior application by private -- and perhaps there is no
2 such precedent -- but where we have had a prior application
3 for by a private party and subsequent interest by a
4 governmental body, which, if they had come in in party our
5 policy would be quite clear if they came in at the same
6 time as the public policy. Our present -- what has been
7 the treatment in the past by the Board if this question
8 were a public body is subsequently indicated after you had
9 had this original filing by a private party?

10 MR. HORTIG: Two instances come to mind, Mr. Chairman,
11 and unfortunately they are on both sides of the issue as
12 to prior action. The prior action by the Lands Commission
13 proceeding with an application or sale to a private interest,
14 on the determination that the showing of public interest
15 wasn't sufficiently superior to justify the rejection; and
16 other instances where despite later requests by public
17 agencies, then private requests where the private request
18 was rejected and conveyance was carried to the public agency,
19 was authorized to the public agency in keeping with the
20 Attorney General's opinion in connection with this pending
21 application that the status of this application is completely
22 under the jurisdiction of the Lands Commission, and that
23 effectively there would be no contravening any vested
24 rights, any vested rights of the part of the private
25 applicant, because there are no vested rights.

26 THE CHAIRMAN: All right, that is -- in other words, we

1 really are in a area here where the Commission, looking at
2 the facts and equities of this thing, can -- is really
3 free legally to move in any direction that it desires; is
4 that correct?

5 MR. HORTIG: Yes. It is a matter of policy, it is a
6 policy determination.

7 THE CHAIRMAN: What is your view of Mr. Sargent's
8 contention that we do not now have an adequate set of facts
9 before us to make such a determination? Do you think that
10 further investigation might better inform us as to some of
11 the equities involved?

12 MR. HORTIG: No, Mr. Chairman, for the reason that
13 practically the agenda item before us was not prepared as
14 a full legal brief or full litigation of this item. It
15 can be stated categorically and without qualification
16 that Mr. Sargent's application has been fully and diligently
17 processed in accordance with the statutes and rules and
18 regulations under which any applications are processed by
19 the Lands Commission.

20 THE CHAIRMAN: I am not questioning that, Mr. Hortig.
21 It seemed to me that in questioning here today we learned a
22 good deal more about the situation than was before us in the
23 agenda item, and I am asking whether there is some merit
24 to Mr. Sargent's suggestion that we might further -- we are
25 called upon here to make, it seems to me, some equity
26 judgments, or we are attempting to bring about a situation

1 where two parties, both of whom have a legitimate interest
2 in this thing -- it is a rather unusual judgment for the
3 Commission to make, and whether or not we have -- it seems
4 to me that there, when we have gotten some of it from
5 questioning, whether there might not be some further facts
6 to be obtained.

7 MR. HORTIG: Well, it would appear to the staff, Mr.
8 Chairman, that aside from minor inconsistencies not bearing
9 on the success or failure of processing application, that
10 any other omissions with respect to the factual situation
11 on behalf of Mr. Sargent, omissions from the agenda item,
12 have been supplied by Mr. Sargent. And the presentation on
13 behalf of Imperial County was not included in the agenda
14 item because the specific data were not available to the
15 staff over and beyond the resolution of Imperial County.
16 But Imperial County representatives here today are filling
17 you in completely on the Imperial County position, so it
18 would appear doubtful that any additional essential facts
19 could be developed by further investigation. It is a
20 unique situation that imposes the responsibility or
21 necessity for the Commission to make this determination,
22 inasmuch as the basic problem, as you have recognized, is
23 as between Mr. Sargent and the County of Imperial.

24 THE CHAIRMAN: I am at the moment, I am in the peculiar
25 position of feeling that this could best be settled by
26 negotiations, and if it can't be settled by negotiation,

1 that I would want to recognize the public interest in this
2 matter and proceed on that basis, but I'd like to -- it
3 seems to me it is a situation which lends itself peculiarly
4 to negotiation and not to an arbitrary finding by us.

5 Yes?

6 MR. FOOTE: May I make one further statement? Orlando
7 Foote, Imperial County Counsel. -- in that regard, we have
8 endeavored, as I indicated, to negotiate with Mr. Sargent,
9 and to no avail. I am somewhat doubtful as to whether or
10 not further negotiation would be helpful in this matter.

11 THE CHAIRMAN: Let me ask Mr. Sargent. This is a
12 hypothetical question, Mr. Sargent, and I speak only for
13 myself and not for the Commission. I would be disposed to
14 vote at this time for the position of Imperial County.
15 However, if in the knowledge that this would be the
16 disposition of the Board, we might provide a month's delay
17 for further discussions between you as to satisfactory
18 solution, would this be helpful to you, or would you rather
19 have us proceed to act today?

20 MR. SARGENT: No, sir, I don't believe it would, for
21 the fact that Mr. Foote seems to set himself up as an
22 authority on my business, telling me how to run my business
23 and telling me what land is required in my business, which
24 I don't think he -- pardon the expression -- knows anything
25 about. As I told you, the reason I took the 220 acres
26 originally -- incidentally, at the time that I applied I

1 could have applied, the whole section was open, I could have
2 applied for the 570 acres, but I didn't. I only took the
3 land that I needed. And I still need the 220 acres for
4 expansion of my business. A 220-acre fish farm is not large,
5 it is considered a medium sized, you might say, in the
6 United States. Right today I can't furnish the -- all the
7 fish that are required in this area. Today this is
8 100,000 fish coming in from Florida every week into the Los
9 Angeles airport. Then you add up on top of that San
10 Francisco, Portland, Oregon, Seattle, Washington -- of
11 course I can use the 220 acres, every bit of it. And he
12 is speaking of adding 20 more acres. To me it's just like
13 a drop in the bucket. Actually it will end up until put me
14 out of business, because I have got to meet these new
15 markets coming up, I have got to work the fish on a smaller
16 margin, it is happening every day.

17 GOVERNOR ANDERSON: How much land have you now?

18 MR. SARGENT: Under lease I have 30 acres, and I have
19 been requesting, trying to get 40 more acres to put in my
20 next batch of tanks, and the County of Imperial have held
21 that up through the Land Management.

22 GOVERNOR ANDERSON: Actually now you are operating with
23 30 acres?

24 MR. SARGENT: Yes, sir.

25 GOVERNOR ANDERSON: What actually could you get by with?

26 MR. SARGENT: Well, I -- I told you honestly, gentlemen,

1 it is 220 acres, plus or minus.

2 THE CHAIRMAN: Well, the gist, or the combination of
3 the testimony here is that these two things are eventually
4 incompatible in your view?

5 MR. SARGENT: Yes, but I think you should --

6 THE CHAIRMAN: And in the view of the County, if they
7 are to accept your version of what you need?

8 MR. SARGENT: They could have filed on the property
9 before I did, or at the time I did, but I was there five
10 years before they were, and living on the land, developed
11 that land. It was nothing but marsh land and sagebrush
12 when I went there. I built my home there.

13 THE CHAIRMAN: Thank you. Are there any further
14 questions of Mr. Sargent?

15 MR. SARGENT: And just one other thing -- excuse me.
16 Mr. Foote made a remark that that was not a spring up there.
17 The point to the fact -- now this is quoted from a Cal. App.
18 case --

19 "Water passing through the soil, not
20 in a stream but by way of filtration, is not
21 distinctive from the soil itself; the water
22 forms one of its component parts. In this
23 condition it is not the subject of
24 appropriation. When, however, it gathers
25 in sufficient volume, whether by percolation
26 or otherwise, to form a running stream, it no

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longer partakes of the nature of the soil, but has become separate and distinct therefrom and constitutes a stream of flowing water subject to appropriation. The water in question here is the stream issuing from the wells, and it is immaterial for the purposes of this discussion whether this stream is supplied by water percolating and filtering through the earth or not; at all events, it has gathered into a stream. No distinction can be made between the water flowing from these artesian wells and that flowing from the springs."

"The stream in either case may result from the gathering of water at some point, whether near or distant, which produces the stream, the flow of which is by natural causes forced to the surface. In the one case the aperture or opening through which it finds its way to the surface is the result of nature's forces; in the other it is produced by artificial means; the fact that it is produced by boring a hole in the ground in no wise changes its character. In either case the water flows to the surface naturally."

1 And also Mr. Foote spoke of that I have a one-year
2 lease, but he neglected to tell you that I have at this
3 time in full force an appeal on that reduction of my lease
4 request.

5 MR. CRANSTON: I'd like to ask someone for the County,
6 how many acres are involved in your over-all plans for
7 recreational development?

8 MR. PIERSON: David E. Pierson, Director of Public
9 Works. We have requested 640 acres. We now own 70. Does
10 that answer?

11 MR. CRANSTON: What happens to your plans if these
12 220 acres were held out, on a say, a fifty-years lease?

13 MR. PIERSON: The 220 acres, as far as I know, would
14 virtually kill our plan, and it pretty well surrounds our
15 70 acres.

16 GOVERNOR ANDERSON: How much of the 220 acres could
17 you release and still go ahead with your plans? In other
18 words, he has 30 now and he is applying for 40 more. There
19 seems to be something between that and the 220 acres.

20 MR. PIERSON: I would be inclined to concur with
21 Mr. Foote on this, sir. He expressed an expansion of some
22 20 acres --

23 GOVERNOR ANDERSON: Only 20 acres on top of the 30.

24 MR. PIERSON: On 30. This is a very difficult question
25 to answer at this time, Governor Anderson. Our plan could
26 allow the fish farm to continue. As has been stated, we feel

1 that it should be on a lease basis rather than an ownership
2 basis, for the possibility of change, of a change in the
3 type of usage. I hope this answers your question. If it
4 doesn't, try again.

5 MR. CRANSTON: If your total plan is 700 acres roughly,
6 700 acres?

7 MR. PIERSON: 640, sir, the section.

8 MR. CRANSTON: 640; I find it rather hard to believe
9 that you have to be so rigid as to 20 acres more or less on
10 up to quite possibly a substantially/^{higher}figure that might be
11 provided somewhere there, which is appropriate to his use,
12 without upsetting your plans entirely.

13 MR. PIERSON: We are somewhat in the same position with
14 Mr. Sargent with his rigidity on his 220 acres.

15 MR. CRANSTON: You are?

16 MR. PIERSON: Possibly, that's correct.

17 THE CHAIRMAN: Are there any further questions? Thank
18 you very much. Well, I have stated my view. What is the
19 pleasure of the Board?

20 GOVERNOR ANDERSON: My views are very similar to yours,
21 Hale. I lean to the County's position, except I wouldn't
22 want to vote for it unless I knew, unless I knew a little
23 bit more what they were going to do, what they were going
24 to do in regard to Mr. Sargent. It seems to me that the
25 County is the one that doesn't want to have him have title,
26 because they want control, and yet if they give him a lease

1 it shouldn't hurt them too much, if they could work this
2 lease to meet his interests for the next 49 or even a longer
3 lease than that. In other words, if he has something that
4 is compatible there with their arrangements, even a 99-year
5 lease would be all right, as far as they are concerned,
6 according to what they are talking about, and still give
7 him protection of his interests.

8 I'd also like to know, in addition to the time,
9 I'd like to know what the rental is for this same thing,
10 and with the expanded size, and I'd like to see them somehow
11 get together before we have to vote on this thing here today.

12 MR. CRANSTON: I am not prepared to either reveal my
13 own inclinations or to vote in this matter. I'd like to
14 see them work it out.

15 THE CHAIRMAN: I will see if I can make a Delphic
16 statement.

17 Would it be agreeable to the Commission if we
18 were to take this matter under advisement for 30 days,
19 with the request to both parties to furnish us with their
20 minimum requirements on maps so that we can see the actual
21 situation on the ground, to see whether there is in fact
22 any reconcilable conflict here, or to see if there is not;
23 what the conflicts involve, and what they represent in terms
24 of the loss of the County's position or loss of Mr. Sargent's
25 position. Would that be agreeable?

26 MR. CRANSTON: (Nodded.)

1 THE CHAIRMAN: That then will be the order, and we
2 will see you again a month hence.

3 MR. CRANSTON: If it would be more convenient for the
4 parties involved to do that at our next meeting in Southern
5 California, we might consider that.

6 THE CHAIRMAN: Is that preferable? Do you have a
7 major time problem? You have a major time problem in this?

8 MR. FOOTE: Yes, sir, we do.

9 THE CHAIRMAN: So you'd rather have it earlier than
10 in Los Angeles? That is, if our next meeting is in Sacramento,
11 you would rather have it scheduled then?

12 MR. CRANSTON: We are meeting on the 21st of this
13 month, which is in Sacramento, and on the 19th of December
14 in Los Angeles.

15 THE CHAIRMAN: Would the 19th of December be satisfactory?

16 MR. FOOTE: I think I can fairly state that it would,
17 yes.

18 THE CHAIRMAN: All right. Is that agreeable with you,
19 Mr. Sargent?

20 All right, then that will be the order.

21 Item 7 in the agenda, amendment of Paragraph 22
22 of combined oil and gas bid-lease form to conform to
23 provisions of Chapter 1945, Statutes 1963, which made a
24 significant change relating to the drilling term, which
25 term the Commission must extend from a maximum of three
26 years for a period equal to that required to obtain any

1 required permits from a federal or State agency -- I submit
2 that isn't a sentence. What -- I don't know what I have
3 said. Would you please explain it?

4 MR. HORTIG: Yes, sir. Prior to the 1963 amendment to
5 the Public Resources Code the Commission was authorized to
6 issue oil and gas leases which provided for a drilling term
7 of a maximum of three years, that is, required drilling by
8 the lessee within three years. And at the discretion of
9 the Commission, an extension of time to the lessee of that
10 drilling term, but at the option of the Commission; if there
11 were delays in securing other permits from any other Federal
12 or State agency, that will require in connection with the
13 operation, for example, the placement of an offshore
14 drilling platform. This was optional with the Commission,
15 and the 1963 statutes in effect made it mandatory if
16 these circumstances existed, the Commission must extend
17 the drilling term.

18 MR. CRANSTON: I move approval of the statute.

19 MR. HORTIG: Therefore we modified our lease form to
20 correspond to the statutory modification.

21 THE CHAIRMAN: Mr. Cranston has moved approval.

22 GOVERNOR ANDERSON: Second.

23 THE CHAIRMAN: It stands approved, unanimously.

24 Item 8, proposed Oil and Gas Lease, 3,360 acres
25 tide and submerged lands, Orange County - Parcel 16A.

26 MR. HORTIG: The Commission previously authorized the

1 publication of a notice of intention to offer Parcel 16,
2 the same parcel under discussion here, but this offer was
3 withheld in view of the necessity for amending the lease
4 form as you have just done in the previous item. Therefore,
5 the present motion is to cancel the prior authorization and
6 authorize the offering of the same parcel in accordance with
7 the revised lease form.

8 MR. CRANSTON: I so move.

9 GOVERNOR ANDERSON: Second.

10 THE CHAIRMAN: Stand approved.

11 Item 9, authorization for Executive Officer to
12 publish notice that the Commission intends to consider
13 offering leases for the extraction of oil and gas from
14 approximately 12,600 acres of tide and submerged lands
15 offshore Ventura County.

16 MR. HORTIG: The Public Resources Code requires that
17 if the Commission is to consider offering any area for oil
18 and gas lease, that notice must be given to affected cities
19 and counties in the area under consideration, as to whether
20 public hearing should be held as to special conditions which
21 might be included in the lease form.

22 It is the staff recommendation that the unleased
23 area of Ventura County extending from the Ventura-Santa
24 Barbara County lying easterly to approximately Pitas Point
25 be made the subject of a public notice of intention to
26 consider offering public gas leases. A further presentation

1 has just been received from industry on the possible
2 expansion of the area to be considered. It is the staff
3 recommendation that this be done in two hearings rather
4 than one expanded hearing, and the motion that is before
5 you should not be amended.

6 MR. CRANSTON: I so move.

7 GOVERNOR ANDERSON: Second.

8 THE CHAIRMAN: Stand approved; and the understanding
9 then is that we will consider the request for expansion of
10 the area at the next meeting.

11 MR. HORTIG: In all probability, with respect to
12 authorization of the additional.

13 THE CHAIRMAN: Item 10, authorization for Executive
14 Officer to execute agreement with Lincoln Fidelity
15 Corporation fixing the Ordinary Low Water Mark as the
16 common permanent boundary along a tidal waterway in the
17 vicinity of Surfside, Orange County, between State
18 submerged land and private lands.

19 MR. HORTIG: As shown on the map following page forty-
20 four of your agenda, there is a small section of land
21 previously conveyed by the General Services Administration
22 as upland to private parties, and in contemplation of a
23 marina, marina-type development on the adjoining waterway,
24 it is essential that before the construction of any dredging
25 activity, that the boundary line between the State's land and
26 the upland be fixed, and by agreement it is recommended that

1 this be done as shown on the map and attached agreement,
2 which is authorized to the Commission for approval.

3 MR. CRANSTON: I so move.

4 GOVERNOR ANDERSON: Second.

5 THE CHAIRMAN: Stand approved.

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

9 MR. HORTIG: These actions consisted solely in the
10 extension of two previously authorized geological survey
11 permits for an additional period of time, in accordance
12 with the full conditions prescribed by the Commission.

13 GOVERNOR ANDERSON: I so move.

14 MR. CRANSTON: Second.

15 THE CHAIRMAN: Stand approved.

16 Very briefly, is there anything new on major
17 litigation to be considered?

18 MR. HORTIG: Only in addition to the agenda item before
19 you, which reported that with respect to the case of
20 U.S. vs. Anchor, that the records would be closed on a
21 payment, final payment to be made on November 1st. Such
22 payment has been made, and the Attorney General's Office
23 report is before me that the files have been closed on the
24 Anchor litigation.

25 THE CHAIRMAN: No action is required, I --

26 MR. HORTIG: No.

1 THE CHAIRMAN: I'd like to express publicly again our
2 thanks to the Attorney General's Office for the work that
3 they did in this case.

4 The Board is meeting -- now I guess it is offici-
5 ally a meeting of the Long Beach City Council this afternoon--
6 and the Board will be in attendance and participate in
7 discussion of the proposed operating contract for the
8 East Wilmington Field. This Board had placed -- the present
9 status of this thing is that an operating contract proposal
10 was made to us by the City of Long Beach, which we indicated,
11 although not taking formal action, was not acceptable to us.
12 We offered to the City of Long Beach a proposal which we
13 indicated would be generally acceptable to us, and we are
14 now in the position of dealing with that, with that, in
15 effect, stalemate. I think it proper, although it does not
16 appear on the agenda, to consider at this time what the
17 Commission's position in discussing this matter with the
18 Long Beach City Council will be this afternoon; whether we
19 are to consider that we are discussing just one of the
20 offers, or both of them, or discussing the thing in general.

21 MR. CRANSTON: Mr. Chairman, I'd like to comment, if
22 I may, on this. The purpose of this meeting this afternoon,
23 as I understand it, is to try to get us off of dead center
24 and to move forward on the proposed -- various proposals for
25 the development of the East Long Beach Wilmington Oil Field,
26 and I'd like to say for one, without making any comments

1 where I will stand when the matters come to a decision in a
2 note at the State Lands Commission, I am prepared to review
3 point by point the matters which are presently at issue
4 between the City Council of Long Beach and the State Lands
5 Commission. It is my present thought that on some of the
6 points at issue the State is on the soundest ground; that
7 on others the City is quite possibly on the soundest ground,
8 and that on many of these there is a perhaps a middle ground,
9 not the stand taken by either the City or the State at the
10 present time.

11 To give one example, I now believe that there is
12 a good deal of merit to the City's criticism of the State's
13 proposal for bonus bidding. I, on the other hand, I still
14 believe that there is considerable merit to the State's
15 criticism of the City's proposal for advance payments with
16 interest. I do believe that there are several alternatives,
17 and that quite possibly one of these might be found more
18 acceptable to both the City and the State than anything
19 that is presently before us in the contracts. I believe
20 that on this and other points, if we get together and really
21 examine the points at issue, we should be able to reach
22 agreement.

23 And therefore I make this motion:

24 I move that the State Lands Commission
25 hereby express its desire to enter into a
26 point by point review of the points at issue