

1 Before The
2 STATE LANDS COMMISSION
3 STATE OF CALIFORNIA
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9 Meeting held in Room 2170
10 State Cap'tol Annex
11 Sacramento, California
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15 ---OOO---

16 Thursday, November 21, 1963
17 10:20 O'clock A. M.
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19 ---OOO---

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23 Reported by:
24 Alex C. Kaempfer
25 Certified Shorthand Reporter
26

A P P E A R A N C E S

Commission Members:

Messrs. Hale Champion, Director of
Finance -- Chairman
Glenn M. Anderson, Lt.
Governor -- Member
Alan Cranston, State
Controller -- Member

Staff Members:

F. J. Hortig, Executive Officer
F. W. Kreft, Assistant Executive Officer
Kenneth C. Smith, Public Lands Officer
Gregg Taylor, Attorney General's Office

Julia T. Stahl, Secretary

and

Alex C. Kaempfer
Certified Shorthand Reporter

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1 THURSDAY, NOVEMBER 21, 1963

2 10:20 O'CLOCK A. M.

3 P R O C E E D I N G S

4 ---OOO---

5 CHAIRMAN CHAMPION: The meeting will please come
6 to order.

7 The first item is confirmation of the minutes of
8 September 16th. If there is no objection, they will stand
9 as submitted.

10 Before we move on to the rest of the agenda, there
11 is some business before us with respect to the tidelands, the
12 replacement contract on the Long Beach tidelands, and I will
13 read into the record one letter which we received addressed
14 to the State Lands Commission: (Reading:)

15 "The Joint Legislative Audit Committee of the
16 California State Legislature met on November 19, 1963.
17 A quorum was present.

18 "At that time the following motion was moved,
19 seconded, and unanimously approved:

20 "That the Chairman be directed to send to the
21 State Lands Commission a request that no further
22 action be taken involving contract negotiations
23 in leasing Long Beach tideland oil fields;

24 "Further, that at their earliest convenience
25 the Joint Legislative Audit Committee, the State
26 Lands Commission, and representatives of the Senate

1 Fact Finding Committee on Natural Resources hold
2 a combined meeting to discuss over-all policy on
3 this matter;

4 "And, in conclusion, that no agreements be
5 signed until such a meeting is held."

6 There is another -- not communication to the
7 Commission, but it was a statement issued by Senator O'Sullivan
8 in which he asked, he said he felt that certain information
9 that he had should be aired at a public meeting of the Senate
10 Fact Finding Committee on Natural Resources. And he felt
11 that the Lands Commission should defer action to the bids
12 to be opened December 11th.

13 Well, I think that these two things call for some
14 clarification so that there will be no misunderstanding as to
15 where we now are in this matter. This does not mean that the
16 bids are not to be opened or considered on December 11th on
17 the replacement contract. That procedure will go forward as
18 it has already been legally set forth, and I don't think there's
19 anything in either of these communications which would indicate
20 in any way that that should not be done.

21 I conferred with Senator O'Sullivan, and I have not
22 had a chance, however, to confer with the chairman of the
23 Joint Audit Committee, but I think we will be able to arrange
24 a joint meeting to discuss the policy of these matters.

25 Now, there's no further official action really that
26 is required that would be taken normally or otherwise between

1 now and the opening of the bids on the replacement contract on
2 December 11th, and those bids will be at least some evidence
3 of the validity of the bidding procedure, and we would hope
4 that the bidders would proceed in full good faith to present
5 bids at that time.

6 And that's the present planned intention of the
7 Commission to look at those bids on their merits as we do on all
8 bids before the Commission.

9 It is important, of course, that we meet and discuss
10 any information that anybody has on this of whatever character,
11 and we will participate in a joint meeting with these groups
12 hopefully just as soon as possible; whenever the joint arrange-
13 ments can be made, why, the Commission will be glad to cooperate
14 in holding such a meeting and exploring any policy questions that
15 may be raised.

16 Governor Anderson?

17 GOVERNOR ANDERSON: Well, on the same thing, I feel
18 that there needs to be a point of clarification between the
19 old contract and the new contract.

20 Now, I had several calls yesterday including one
21 legislator, and there seems to be confusion in the minds that
22 we are about to continue something that has been in existence,
23 and there isn't going to be a change in the procedure, and I
24 think that somehow we have to get over that the contract that
25 we're presently operating under was written almost 25 years ago
26 prior to the State's participation in it, and that one of the

4
1 questions that they have raised is the inability to determine
2 the exact profit of the Harbor Development Company and that
3 the point I made clear to this legislator and to the other
4 people is that the new contract we're entering into calls for a
5 full and complete disclosure of profits.

6 Now, isn't that right, Mr. Hortig, that there isn't
7 any question in the one that we are offering in this regard?

8 MR. HORTIG: That is correct, Governor Anderson,
9 because the requirement and the proposed method of basic
10 compensation to the field operating contractor, which is the
11 document on which bids are to be received on December 11th,
12 provides for compensation of the field operating contractor
13 from a percentage of the total net profits, so that the net profits
14 for the entire operation and the distribution between city, state
15 and field operating contractor will be known and will ultimately
16 be a matter of public record.

17 CHAIRMAN CHAMPION: Under the old contract it was
18 a gross figure rather than net, and that is the reason that no
19 precise profit figures are obtainable, is that correct?

20 MR. HORTIG: No precise -- the precise net profit
21 figures are only in the corporate books of the contractor, the
22 contractor being reimbursed under the existing contract from
23 a percentage of the gross revenues.

24 CHAIRMAN CHAMPION: Right.

25 MR. HORTIG: And therefore how much net revenue accrues
26 in fact to the field operating contractor is a matter of his own

1 private financial concern.

2 CHAIRMAN CHAMPION: But this is completely cured in
3 the new contract.

4 MR. HORTIG: This will be completely cured in the
5 new contract.

6 CHAIRMAN CHAMPION: And we would know on opening
7 the bids of the net percentages as to exactly what it would
8 mean as to the current net production at Long Beach?

9 MR. HORTIG: This is also correct. Of course,
10 actually the net profit to a field operating contractor is
11 going to be less because of operating expenses which are not
12 reimbursed than the percentage allocated to the man, but the
13 maximum possible figure of net profit to the operating contractor
14 will be known at all times.

15 GOVERNOR ANDERSON: Why hasn't this distinction
16 between the two contracts been given more publicity, or has
17 it been given publicity?

18 MR. HORTIG: Well, it has been given publicity, and
19 as a matter of fact it was pointed out in the presentations
20 by the Long Beach Harbor Development in proposing the new
21 contract form as well as any discussions for the Long Beach
22 unit that the approach by the City of Long Beach at this time
23 was to seek for an accounting on a complete net profit basis
24 where all these data would be available, and it would be known
25 just what the consideration was to the various participants
26 as an improvement over and based on experience gained under the

1 prior and existing contracts which as you apointed out were
2 written as long ago as 25 years.

3 CHAIRMAN CHAMPION: Is there anything further?

4 Mr. Cranston.

5 MR. CRANSTON: What are your thoughts on when this
6 meeting might be arranged?

7 CHAIRMAN CHAMPION: Not having been able to explore
8 it with the Chairman of the Joint Audit Committee, I have no
9 notion, but I think it ought to be as expeditiously as possible,
10 and of course working with the commissioners to see what is
11 a mutually available date.

12 MR. DESMOND: May I speak, Mr. Chairman? Gerald
13 Desmond, City Attorney, Long Beach.

14 I understand the Commission's position entirely,
15 when legislators indicate that they want additional time or
16 they feel that facts should be brought out into the open, why,
17 certainly the Commission as always is going to listen to that.

18 However, I feel that the recent action by the Joint
19 Legislative Audit Committee is the reason why -- the recent
20 action by the Joint Legislative Audit Committee just two days
21 ago is the reason why today the Commission is not acting on
22 the Fault Block 5 unit agreement.

23 Now, the reason I say that is because all of the
24 documents necessary, all of the work needed for the Fault Block
25 5 unit, which has a date of December 1st effective date written
26 into all of the documents, approved now by the working interest

1 owners, approved by the royalty interest owners -- if that
2 date of December 1st can not be met and you're not going to
3 discuss this -- we've been advised only yesterday for the first
4 time we heard rumors of this in a very roundabout way, it came
5 down to the City of Long Beach, that evidently the Commission
6 was not going to consider Fault Block 5 unit agreement, although
7 everything has been gauged toward the December 1st date.

8 Now, it's not going to be on a general --

9 CHAIRMAN CHAMPION: Excuse me, Mr. Desmond, just so
10 the Commissioners can be enlightened as to this, it's only
11 reached us indirectly yesterday, and this was not my
12 understanding, and I'd like to have the staff say what
13 happened with respect to the consideration of Fault Block 5.

14 MR. HORTIG: The Fault Block 5 proposal submitted by
15 the City of Long Beach for consideration and approval by the
16 Commission as required by Chapter 29 is a complex collection
17 of many inter-related documents, the last piece of supporting
18 evidence which was requested by staff having been received on
19 Monday of this week, it is the subject matter of review by
20 the Attorney General's office for a long series of Attorney
21 General's Opinions, which in conference with the Attorney
22 General's Office yesterday afternoon -- excuse me, two days
23 ago, in the afternoon, it was determined that it was completely
24 infeasible to have all of the legal opinions necessary for
25 consideration by the Commission prior to approximately mid-
26 December, assuming that in the review by the Attorney General's

1 Office of the inter-relationships of these documents additional
2 problems are not developed, and consequently the subject
3 matter could not be scheduled because there was no basis for
4 drafting a staff recommendation for presentation today.

5 CHAIRMAN CHAMPION: Was there any consideration or
6 was it at all involved in this Audit Committee action?

7 MR. HORTIG: No, sir, this is entirely independent,
8 and as a matter of fact, the Conference with the Attorney
9 General's Office, as I say, on the availability of opinions
10 actually was held the day before the letter was received from
11 the Joint Legislative Audit Committee on which, of course, we
12 had no previous notice, so they were entirely independent
13 actions.

14 MR. DESMOND: Mr. Chairman, I won't go into that
15 any further. I wanted to say that what Mr. Hortig has indicated
16 so far as we know is absolutely correct. All of the information
17 requested has been furnished by the City; for a period of time
18 the City was in almost constant contact with the Attorney
19 General's Office daily, and we've asked again and again if
20 there's any further information needed.

21 Mr. Hortig has spoken of information last supporting
22 document received by his office on Monday. That document
23 was requested on Friday. It was delivered the next business
24 day, just last Monday.

25 But the other part that I want to go into is the fact
26 that the Joint Legislative Audit Committee letter which you have

1 read to the Commission and to the audience here refers to
2 leasing agreements which to begin with is not the type of
3 thing that's before the Commission and actually before the
4 bidders at the present time.

5 CHAIRMAN CHAMPION: That, too, is my understanding.
6 It is not a directly related problem. They wanted to discuss
7 over-all policy in this area.

8 MR. DESMOND: But what appears to me is that the
9 actions that have been taken and the statements made by
10 Senator O'Sullivan during the past two weeks' time have
11 actually constituted an attack upon the bidding procedure.

12 What encouragement is there to the bidders -- I
13 know how the Commission feels about it; I understand what you
14 said this morning that you're going to go through with this
15 entirely -- but Senator O'Sullivan's statement, which came
16 only four days after the Commission meeting, ended by the
17 statement: (Reading:)

18 "I feel" -- and this is a direct quote; and this is
19 a release from Senator O'Sullivan; Senator Virgil O'Sullivan
20 noted the Commission previously refused to defer action --

21 "I feel this was a hasty decision on the part
22 of the Commission."

23 He said that the Commission indicated: (Reading:)

24 "The Lands Commission will again be asked to defer
25 action to the bids to be opened, that the contract
26 proposal on which these bids are based is contrary to

1 every sound principle of resource management by a public
2 or private agency."

3 These are direct quotes from a press release by
4 Senator O'Sullivan on November 14th.

5 Now, the thing that I'm talking about is that we're
6 looking forward to opening bids, and we hope to get the highest
7 and best bid, and we want everybody bidding. We're opening
8 these bids on December 11th, which is not very far off.

9 The Commission understands -- Governor Anderson was
10 not present at the meeting on October 10th, but the very point
11 that he was asking about -- Mr. Cranston, on page 77 of the
12 transcript, stated: (Reading:)

13 "There's absolutely no legal means available to us
14 to extend the current LBOD contract which is about to
15 expire."

16 There isn't any question at all in the City's mind,
17 in the State's mind, I'm sure, that what is being done is
18 open competitive sealed bids to be opened on December 11th on
19 a brand new contract because the old contract expires. It
20 goes out of business. And as Mr. Cranston further said: (Reading:)

21 "If that field were to be shut down, it would
22 result in great injury to the field and to the financial
23 interests of the State of California in that field.

24 "Continuing operation of the field is in the best
25 interests of the State and prompt action on our part is
26 best calculated to accomplish this."

1 Now, Senator O'Sullivan prior to the meeting had
2 had several press releases -- business must be a little bit
3 slow down on the farm at Williams, and perhaps he's not been
4 able to keep up with the yellow helping Mr. Davis and the
5 yellow journalism of the Willows Daily Journal, which attacks
6 we resent. They're attacks upon the Lands Division, upon the
7 Attorney General, upon the Commission as well as upon the City
8 of Long Beach, and so are Senator O'Sullivan's and his references.

9 I'm a little heated about this, and I think naturally
10 so, and I think that the State of California should be concerned
11 about it.

12 Senator O'Sullivan quoted one of the papers: (Reading:)

13 "The State is being cheated of oil lease funds" --
14 again the confusion about the leasing rather than the operating
15 contract --

16 "...cheated of oil lease funds by a conspiracy
17 between Long Beach officials and oil interests."

18 Now, if Senator O'Sullivan said that -- I do not know
19 that he did; I'm reading from a news item -- there is no
20 conspiracy. A charge of such is an absolute lie, and I think
21 that rather than a conspiracy to fix prices or anything of the
22 kind, I think there's a conspiracy afoot to sabotage the very
23 effort that this Commission approved, that is, offering a valid
24 and sound contract --

25 CHAIRMAN CHAMPION: Mr. Desmond, I understand your
26 feelings in this matter. We have had no such communication from

1 Senator O'Sullivan. It's not in any way officially before his
2 body, and I'm not trying to restrict free speech by anybody,
3 but it just seems to me this is not a forum for arguments
4 outside of the business before us between the City of Long
5 Beach and Senator O'Sullivan.

6 MR. DESMOND: Right.

7 CHAIRMAN CHAMPION: So I would ask that except as
8 to the matters which are specifically before us, that you
9 restrict yourself to that.

10 MR. DESMOND: Fine. Now, the thing that is before the
11 Commission, before the City, is the opening of bids on December
12 11th, and Senator O'Sullivan's press release which has been
13 referred to and to his contact is a statement made four days
14 after the Commission meeting in which he says: (Reading:)

15 "I feel this is a hasty decision on the part of
16 the Commission."

17 Now, Mr. Cranston as the Chairman of the Commission
18 on October 10th took considerable time to say that and to make
19 it very clear: (Reading:)

20 "We can not defer to those who have asked for this
21 delay because of the time situation, but as for me
22 personally, I don't think any more time is required."

23 I think he made it very clear that the Commission had
24 studied what was before it and yet we have immediately afterwards
25 by the same man who is not interested in this going out to free
26 competitive bidding --

1 CHAIRMAN CHAMPION: I'd like to correct one thing
2 there. You're blaming Mr. Cranston for something I said.

3 MR. DESMOND: This is Mr. Champion, yes.

4 MR. CRANSTON: I'll be glad to concur in the remarks.

5 MR. DESMOND: Thank you. I'm sorry. I meant to say
6 the Chairman of the Commission, Mr. Champion, said: (Reading:)

7 "In seconding the motion, I'd like to add only
8 because we do feel the pressure of the time situation
9 does not mean at least for me personally I do not think
10 that we have examined every single question that has been
11 presented, looked at every piece of evidence or question
12 that anybody wanted to present to this Board.

13 "I'm satisfied not only that we ought to act now
14 but that we're acting on a proper instrument on which
15 to act, and I would not like to have the inference so
16 far as our action because we do point out this need for
17 haste. We do that out of deference to the fact that
18 a number of legislators wanted more time to look for
19 it.

20 "We do not -- at least I myself do not believe that
21 this Commission needs more time for judgment."

22 And Mr. Cranston had previously stated: (Reading:)

23 "I believe that the contract which is before us
24 provides the soundest vehicle available to us under
25 prevailing circumstances for continuance of the
26 operation of that field."

1 Now, Mr. Cranston also said: (Reading:)

2 "Of course, if we do not receive what we deem
3 to be satisfactory bids under the proposed contract,
4 we will have no alternative but to reject them, and
5 we will then have to turn to the task of seeking some
6 alternative means of keeping the field going."

7 Now, this is the very thing I'm talking about.

8 The bids are to be opened on December 11th, and we do not feel
9 that a bad atmosphere should be created by anybody.

10 I think the people that are going to lose are the
11 people of the State of California including those citizens who
12 reside in the City of Long Beach if there is a continuance of
13 the sabotage of the bidding procedure.

14 A statement such as was made in the same article
15 which I've just quoted two of the Commissioners on, that the
16 contract proposal is contrary to every sound principle of
17 resource management -- now, Senator O'Sullivan was present
18 on October 10th; Senator O'Sullivan has not offered anything
19 at any time which has been of any advantage.

20 I think he's best known for the employment -- and
21 he admits that he did this -- the employment of Mr. Chapman
22 and his association that put out the Chapman Report, and I
23 would think that Mr. O'Sullivan would have retired from the
24 field at that time because that report certainly added nothing.

25 It had a few illegal suggestions that were made
26 but that's all.

1 CHAIRMAN CHAMPION: Well, here again, even, Mr.
2 Desmond, as a matter of fact I would disagree with you about
3 the Chapman Report, but that isn't a matter that's before us.

4 I think there has been a tendency on the part of
5 everybody involved to confuse two very different contracts
6 and two very different situations. I think talking about the
7 Chapman Report at this time, which goes to a different
8 situation, again tends to do that. And I'd like the
9 discussion this morning as on the contract which is now out for
10 bid, and I'd like to keep it there. That may prove impossible
11 but it would be nice if we could.

12 MR. DESMOND: The City of Long Beach has been in this
13 for a long, long period of time. U. S. versus California was
14 decided in 1947 -- the City of Long Beach -- I won't go
15 into any period of time on this -- but the City actually was
16 in the forefront of the defense of the State rights and the
17 question of whether or not the three-mile limit.

18 Now, this -- I'm leading up to, I think, a very
19 important point. Since 1946 the City of Long Beach has turned
20 over under its oil contracts, existing oil contracts,
21 approximately two hundred million dollars to the State of
22 California.

23 The City has recently, with the State of California,
24 over a period of two years' time, worked out a settlement which
25 was extremely satisfactory, I'm sure, from the State's
26 standpoint in the federal suit for subsidence in the shipyard

1 area, and that was approved by the legislature without any
2 negative votes in either house, U. S. versus Anchor Oil;
3 and one of the other items that may be referred to, if you
4 have a report on the pending legislation, is the Twombly
5 case, the City of Long Beach is a defendant along with the
6 State of California, along with you Commissioners in the case
7 in federal court.

8 The Twombly case is brought by a taxpayer who takes
9 the position that the City's title to the tideland areas is
10 derived not from any grants back as far as 1911 and the
11 subsequent ones in 1925 and '35, but by the action of the
12 Supreme Court in 1953.

13 Now, the City of Long Beach, working along with the
14 State as it has in all of these procedures, has taken the
15 position that we are bound by all of the trust restrictions,
16 and this matter is now pending before the circuit court, and
17 the City of Long Beach is still taking that position, but
18 there's very little encouragement to the City in this pending
19 contract if the matter of bidding is discouraged, and I'm
20 talking about the Harbor Oil contract, which bids are to be
21 opened December 11th.

22 We feel that that's the proof of the pudding, but
23 if the bidding market is going to be sabotaged, then I feel
24 that the City is not very much encouraged to work on this or
25 on future oil developments.

26 Now, Mr. Thomas who wrote the letter at the request

1 of the Joint Legislative Audit Committee -- this is not on the
2 agenda but I say it in passing -- has come up again with an
3 idea that he's proposed a number of times. He's told me --
4 well, this is one of the things that he brings up occasionally
5 to stir up the Los Angeles Harbor Commission, and he's now
6 proposed that the City of Long Beach and the City of Los
7 Angeles have a joint port operation.

8 Now, it does not seem to me that with the example
9 that we have in oil development in Los Angeles that this should
10 be held up as a model. We do not want to get into the fights
11 that Mr. Yorty has with the various commissions, with the
12 various segments of his community, and we know that the Los
13 Angeles Harbor Commission has considered this at various times.

14 They do not feel that such a proposal would be
15 satisfactory; yet this is the proposal made again by Mr.
16 Thomas within the last two weeks' period of time. We feel that
17 what is proposed here is best for the State, and we hope that
18 we have just as many bids as possible to open on December 11th.

19 CHAIRMAN CHAMPION: Thank you, Mr. Desmond. At least
20 thank you in part. I think only part of what you say bears
21 directly; I think that as far as some of what you said, this
22 is not the proper forum to discuss Los Angeles port operations
23 and so on unless we have the matter before us.

24 But I'll simply say that the views of the speaker
25 were his own and not to be associated with the forum in which
26 they were made.

1 MR. DESMOND: I understand. And, Mr. Chairman,
2 at some time -- and I do not mean to be impertinent, but I'd
3 like to know what anyone feels is the value of the Chapman
4 Report, and I mean that most sincerely, we'll discuss that
5 perhaps at another time?

6 CHAIRMAN CHAMPION: All right. Fine. We'll be glad
7 to do that.

8 I do wish, however, to associate myself with the
9 feeling that it is important that bidders understand that
10 there is absolutely nothing interrupted about this process,
11 that every official body has taken every official action --
12 the record is completely clear -- and there's no reason why
13 there should be any hesitation about bidding on this replace-
14 ment contract at Long Beach, that that is a clean record and
15 hopefully will remain one.

16 Is there anything further on this subject?

17 (No response.)

18 If not, we'll pass on to the next item on the
19 agenda.

20 (Whereupon Item Classification No. 3 on the agenda
21 was taken up by Chairman Champion, and is continued on the
22 following pages.)

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1 CHAIRMAN CHAMPION: (Reading:)

2 "Permits, easements, and rights-of-way granted to
3 public and other agencies at no fee, pursuant to statute."

4 "(a) Port Hueneme Sanitary District.

5 "Amendment of Life-of-Structure Permit P.R.C.
6 1560.9, Ventura County, to delete present legal
7 description and substitute a legal description that
8 will include the area covered in original permit plus
9 additional area needed for a 4000-foot-long extension
10 to existing sewer outfall."

11 "(b) State of California, Department of Fish
12 and Game.

13 "Amendment to Letter Permit P.R.C. 3009.9, San
14 Pedro Channel, Orange County, altering the legal
15 description of the center points of fish-propagation
16 reefs."

17 "(c) State of California, Department of Water
18 Resources.

19 "Issuance of replacement of right-of-way ease-
20 ment P.R.C. 2638.9 for a period of three years, covering
21 0.019 acre tide and submerged lands in Suisun Bay,
22 Contra Costa County (used for submarine cable that
23 services current meters in the Bay and recording
24 equipment on Mallard Island)."

25 GOVERNOR ANDERSON: I move them.

26 MR. CRANSTON: Second it.

1 CHAIRMAN CHAMPION: They stand approved and
2 unanimous. (Reading:)

3 "4. Permits, easements, leases, and rights-of
4 way issued pursuant to statutes and established rental
5 policies of the Commission.

6 "(a) Humble Oil & Refining Company

7 "Deferment of drilling requirements, State Oil &
8 Gas Lease P.R.C. 186.1, Belmont Offshore Field, Orange
9 County, through June 30, 1964. (Difficult to program
10 new development operations because under certain
11 conditions an expansion of the Long Beach Unit could
12 include leased area.) "

13 "(b) Huntington Signal Oil Company.

14 "Acceptance of quitclaim to terminate State Oil
15 & Gas Lease P.R.C. 994.1, Huntington Beach Oil Field,
16 Orange County. (Lessees have concluded that it is no
17 longer profitable to operate the lease.)

18 "(c) Richfield Oil Corporation

19 "49-year easement, 5.5 acres tide and submerged
20 lands of the Santa Barbara Channel, Santa Barbara
21 County (for submarine flow lines from Well No. 308-2
22 to onshore point about one-half mile west of Coal Oil
23 Point). Annual rental, \$156.24.

24 "(d) Rio Ramaza Community Services District

25 "15-year lease of 3.28 acres tide and submerged
26 lands, Sacramento River, Sutter County (for a small

craft marina). Annual rental, \$1,357.10."

MR. CRANSTON: Move approval.

GOVERNOR ANDERSON: Second it.

What is involved in Item (a)?

MR. HORTIG: The existing State Oil & Gas Lease on which Humble Oil & Refining Company are now the lessees, which has approximately 50 producing wells operating thereon drilled from that one offshore island at Seal Beach, which you have visited, Governor, immediately adjoins what may become -- it's been designated as Tract 2 in Long Beach, which can become part of the Long Beach Unit Development, and therefore future contemplation of proper coordinated operation of both the areas within the City of Long Beach and this adjoining State Lease in Seal Beach would indicate that future development programs should be undertaken so as to be compatible with the type of development that is undertaken, prepressuring programs, et cetera, on the Long Beach Unit when that is formalized.

So in the interim it would be literally and virtually impossible to program any new additional development under the existing lease, and therefore the operator has proposed that they be granted a deferment of additional drilling requirements until such time as a logical and effective program can be devised.

In the meantime, of course, they continue with full production from the existing development.

1 GOVERNOR ANDERSON: This would be of perhaps
2 mutual benefit then to the State. We wouldn't want them to
3 produce, to develop in any way, under the present situation,
4 would we?

5 MR. HORTIG: This is correct.

6 GOVERNOR ANDERSON: Actually it's as much to our
7 benefit not to encourage any other development here until
8 we know actually what we're planning.

9 MR. HORTIG: Until we can develop an optimum plan
10 for the future, that is correct, Governor.

11 CHAIRMAN CHAMPION: It's been moved and seconded.
12 If there's no comment, stand approved unanimously. (Reading:)

13 "5. Selection and sale to American Potash and
14 Chemical Corporation of 40 acres vacant Federal land,
15 Inyo County, at appraised price of \$2000."

16 GOVERNOR ANDERSON: I'll move it.

17 MR. CRANSTON: Second it.

18 CHAIRMAN CHAMPION: Stand approved. (Reading:)

19 "6. Approval of Map of Resurvey of Surveys Nos.
20 88 and 89, Swamp and Overflowed Lands along the shore
21 of Suisun Bay and Hastings Slough, Contra Costa
22 County; and approval of boundary agreement between
23 the State of California and Elouise Hawley, Allied
24 Properties, a California corporation, V. P. Baker,
25 Karl B. Rodi and A. J. West, along Hastings Slough,
26 a tidal, navigable waterway excluded from private

1 ownership by this resurvey."

2 MR. CRANSTON: Move approval.

3 GOVERNOR ANDERSON: Second it.

4 CHAIRMAN CHAMPION: Stand approved. (Reading:)

5 "7. Issuance to Blomquist Oil Service, Inc. of
6 mineral extraction lease for 370 acres submerged land,
7 San Pablo Bay, Contra Costa County, at minimum royalty
8 of \$0.08 per cu. yd., plus an increment of 10 percent
9 of the gross sales price in excess of \$0.42 per cu.
10 yd. for all sand extracted."

11 MR. CRANSTON: Move approval.

12 GOVERNOR ANDERSON: Are they selling this to someone
13 else?

14 MR. HORTIG: Yes. This will be processed and resold
15 as commercial aggregate.

16 GOVERNOR ANDERSON: And this will be a continuing
17 process then?

18 MR. HORTIG: This is correct. And the only basis
19 for authorization of this type of removal is a removal mineral
20 extraction lease pursuant to public bidding, and this is the
21 high bid received for this particular offer previously
22 authorized by the Commission.

23 GOVERNOR ANDERSON: I'll second it.

24 CHAIRMAN CHAMPION: Stand approved unanimously. (Reading:)

25 "8. Authorization for Executive Officer to execute
26 interagency agreement with Colorado River Boundary

1 Commission, providing for rendering of engineering,
2 administrative, and other services to the Boundary
3 Commission for the 1963-64 fiscal year, at Commission's
4 actual costs not to exceed \$7000."

5 GOVERNOR ANDERSON: I move it.

6 MR. CRANSTON: Second it.

7 CHAIRMAN CHAMPION: I'm in agreement, but I'd like
8 to ask, what further functions do the Colorado River Boundary
9 Commission actually have?

10 MR. HORTIG: We are presently, with my Boundary
11 Commission hat on, in negotiating and completing service
12 contracts with U. S. Coast and Geodetic Survey and Bureau
13 of Land Management of the Department of Interior for surveys
14 and mounting of the boundary location previously selected by
15 the Joint Boundary Commissions of the two states.

16 After those surveys are completed, reviewed and
17 accepted, they will become on motion of the Joint Boundary
18 Commissions appendices to the Interstate Compact, which
19 will then be offered to the Congress for ratification and
20 approval as an Interstate Compact.

21 As of the time of ratification then there will only
22 be the question of whether there should be any further
23 continuity in terms of having a body to reflect the date and
24 interpret the results of the Compact.

25 Over and beyond that at that time the Boundary
26 Commissions will have no further function.

1 CHAIRMAN CHAMPION: I would hope we could do that
2 without a separate commission and staff, that one thing would
3 end when its function ended.

4 MR. HORTIG: These data could and it has been
5 suggested but that it not be expressed in legislation -- these
6 data could logically for example be made the subject of
7 repository and interpretation by the State Lands Commission.

8 CHAIRMAN CHAMPION: It seems to me that this is a
9 normal function of the Lands Commission and requires no
10 further special body.

11 Well, the matter stands approved for the '63-'64
12 fiscal year.

13 I have one problem which came to me, and I don't
14 know whether you got a copy and I'm sorry I didn't bring it
15 with me -- I received a communication yesterday from Shell
16 Oil with respect to the matter we had before us at the last
17 meeting . Did you get a copy of that?

18 MR. HORTIG: Yes, sir, I received a telegram this
19 morning.

20 CHAIRMAN CHAMPION: Would you read it so that the
21 Commission could consider it?

22 MR. HORTIG: (Reading:)

23 "Shell Oil Company made application September 20th,
24 1963, for geophysical permit covering inland water
25 Sacramento River and Honker Bay areas. Application
26 was processed by State Lands Division staff and placed

1 on agenda as Item II for meeting of State Lands
2 Commission November 6th, 1963. Due to conflict in
3 language recited in current geophysical permits for
4 offshore operations and Public Resources Code Section
5 6826 Shell's application was deferred. Shell requested
6 placing supplemental item on agenda for meeting of
7 State Lands Commission Thursday, November 21st, 1963,
8 whereby conflict in language would be corrected. Due
9 press of other matters of importance to come before
10 State Lands Commission at November 21st meeting State
11 Lands division staff unable to complete processing of
12 geophysical permit as supplemental item. In view of
13 fact that Shell has seven seismic vessels standing by
14 at considerable expense, we respectfully urge the
15 Commission approve issuance of a geophysical permit
16 incorporating revised language at November 21st
17 meeting. Shell will have representative present
18 prepared to discuss the matter if the Commission desires.
19 Shell Oil Company, D. E. Clark, Manager, Land Depart-
20 ment, Los Angeles, California."

21 CHAIRMAN CHAMPION: Is there any way in which we
22 could accommodate Shell OIL Corporation in this respect?

23 MR. HORTIG: There is no way, Mr. Chairman, that
24 the staff could give the Commission a recommendation this
25 morning because the subject matter of the revised language
26 and the grounds of previous protest by Shell as to the existing

1 language in permits which the Commission could issue is
2 under active review in the Office of the Attorney General
3 as to the legal matters and historical review in State Lands
4 division offices, and this review has not been completed.

5 I would like to report to the Commission --

6 CHAIRMAN CHAMPION: Does it appear that the revised
7 language, at least if it is legally sufficient, will be
8 technically sufficient for meeting the requirements of staff?

9 MR. HORTIG: We do not believe, from our present
10 knowledge of the matter, that there will be any difficulty
11 in accomplishing revised language which will be satisfactory,
12 which will comply with the statutes and will be recommended
13 by the staff and will be acceptable to industry.

14 The problem that is being researched at the present
15 time is to be assured that when the Commission does adopt the
16 revised language that precedents are not created thereby to
17 indicate that the Commission abdicate or surrender any of the
18 rights it had under the previous permits, under the different
19 language which has been contested by Shell.

20 CHAIRMAN CHAMPION: Let me ask this. Is it likely
21 that you would be in a position relatively soon to make a
22 formal recommendation to the Commission?

23 What I'm looking for is, if there's a possibility
24 that we might set up some method without a formal or further
25 formal meeting, either telephonically or otherwise, to get
26 this thing approved?

1 If there are indeed seven tankers sitting waiting
2 on this thing, we've got to do the whole job, but there's no
3 reason to keep it until another formal meeting if something
4 can be arranged.

5 MR. HORTIG: I submit respectfully that the fate
6 of these seven geophysical vessels does not depend on this
7 one permit.

8 On the other hand, we have in contemplation in
9 the immediate future, and there is a possibility and this one
10 is again being evaluated, of starting out in effect with a
11 new series of permits and reserving the right to discuss and
12 resolve the problems under the previous set of permits without
13 creating any adverse precedents, that under those circumstances
14 on which we anticipate having a report by next week, it would
15 have been my recommendation that the Commission consider a
16 brief special meeting of the Commission in order to accomplish
17 the necessary authorization so that geophysical explorations
18 can go forward again.

19 CHAIRMAN CHAMPION: Does this require a special
20 meeting?

21 MR. HORTIG: It does require a special meeting on
22 notice -- telephonic meetings are not authorized, we are
23 informed by the Attorney General.

24 CHAIRMAN CHAMPION: Well, the Lieutenant Governor's
25 office has expressed the wish to have such a meeting -- would
26 the spokesman for Shell like to address himself to this problem?

1 MR. KARSHNER: Yes. Commissioners and gentlemen,
2 my name is R. F. Karshner, K-a-r-s-h-n-e-r, Shell Oil Company
3 of Los Angeles.

4 We were hopeful that this matter might be possibly
5 considered, realizing that there was the certain possibility
6 that it could not be done, and if it can not be done without
7 a special meeting, why, we certainly concur in the judgment
8 of the Commission.

9 CHAIRMAN CHAMPION: All right. Thank you.

10 MR. KARSHNER: Thanks very much.

11 CHAIRMAN CHAMPION: Part of the problem here, and I
12 think it also goes to the Long Beach problem, I don't think the
13 Attorney General has ever been so preoccupied with so many
14 problems with the Lands Commission in the history of that
15 office, and I think we have to bear with him a little bit
16 because they have so many problems in trying to get to each of
17 these new ones as they come along.

18 I assure you they're being extremely diligent about
19 it and as a matter of fact rendering remarkable service to the
20 Commission, but the flood of demands is pretty heavy.

21 MR. HORTIG: Mr. Chairman, if I might, I think your
22 same comments also apply to problems before the staff of the
23 Lands Division as well as with the Attorney General's.

24 CHAIRMAN CHAMPION: Well, in my capacity as Director
25 of Finance, I'll have to hear that plea some other time.

26 Is there any further business to come before the

1 Commission?

2 Oh, we have the reconfirmation of date, time and
3 place of next Commission meeting. Is it satisfactory with you?

4 GOVERNOR ANDERSON: Yes.

5 MR. CRANSTON: Yes.

6 CHAIRMAN CHAMPION: All right, the next meeting of
7 the Commission will be 10:00 a.m. Thursday, December 19th,
8 in Los Angeles.

9 And we stand adjourned.

10 (Whereupon adjournment was had at the
11 hour of 11:00 o'clock a.m.)

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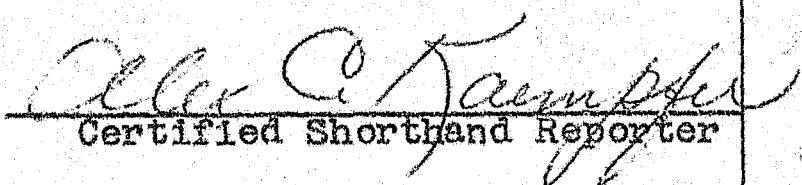
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REPORTER'S CERTIFICATE

This is to certify that I, ALEX C. KAEMPFER, a duly qualified Certified Shorthand Reporter, was present at the time and place the foregoing proceedings were had and taken before the State Lands Commission of the State of California, in Room 2170 State Capitol Annex, Sacramento, California, commencing at the hour of 10:20 o'clock a.m. thereof, on Thursday, the 21st day of November, 1963, and that as such reporter I did take down said proceedings in stenotype writing, and that thereafter I transcribed my stenotype writing into longhand typewriting, and that the foregoing pages beginning at the top of page 1 to and including line 9 on page 30 hereof constitute a true, complete, accurate and correct transcription of the aforementioned stenotype writing.

Dated this 24th day of November, 1963.


Certified Shorthand Reporter