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TRANSCRIPT OF  
MEETING  
of  
STATE LANDS COMMISSION  
SACRAMENTO, CALIFORNIA  
December 20, 1963

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

OFFICE OF THE ATTORNEY GENERAL:

Mr. Howard S. Goldin, Assistant Attorney General

APPEARANCES:

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

Mr. W. A. Smith Assistant Chief Petroleum Engineer,  
Long Beach Harbor Department

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I N D E X  
(In accordance with Calendar Summary)

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1 MR. CHAMPION: I will call the meeting to order.  
2 Controller Cranston is delayed on a plane flight from Long  
3 Beach and I think will be with us soon. We had intended to  
4 take up the Long Beach matter first, which was on the supple-  
5 mental agenda; but until he arrives, I think we will delay  
6 that and go through the regular agenda, and we will take the  
7 Long Beach matter up on his arrival.

8 First item on the agenda is confirmation of the  
9 minutes of September 30, 1963.

10 GOV. ANDERSON: So move.

11 MR. CHAMPION: Stand approved. Second: Permits,  
12 easements and rights-of-way to be granted to public and  
13 other agencies at no fee, pursuant to statute:

14 Department of the Navy, Office of Naval Research --  
15 Permit to conduct underwater experiments using explosives,  
16 Mono Lake, Mono County, permit to expire on December 31, 1964.

17 GOV. ANDERSON: We gave them permission on that  
18 last year for the same thing, didn't we?

19 MR. HORTIG: For the same general type of operation.

20 GOV. ANDERSON: Did we have any repercussions on  
21 that?

22 MR. HORTIG: No, sir.

23 GOV. ANDERSON: Everything was all right?

24 MR. HORTIG: Yes, sir.

25 GOV. ANDERSON: I move it.

26 MR. CHAMPION: Second, stands approved.

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Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission:

R. W. Cypher -- Two-year prospecting permit for geothermal steam, all minerals other than oil and gas, and mineral waters, at standard royalty rates, on eighty acres submerged lands, Imperial County, sold and patented to Imperial Irrigation District.

John F. Dillon and C. C. Trunelle -- Ten-year lease Lot 7, Fish Canyon Cabin Site, Los Angeles County; annual rental, \$65.

Richfield Oil Corporation -- Deferment of drilling requirements, State Oil and Gas Leases P.R.C. 308.1 and P.R.C. 309.1, Coal Oil Point, Santa Barbara County, through April 30, 1964. Additional time needed to complete the drafting of proposed unit agreement.

Richfield Oil Corporation -- Deferment of drilling requirements, State Oil and Gas Lease P.R.C. 1466.1, Rincon Oil Field, Ventura County, through June 30, 1964. Current development appears to provide adequate drainage of producing structures; however studies for further development are continuing.

Signal Oil and Gas Company -- Issuance of new lease in exchange for State Oil and Gas Lease P.R.C. 129.1, Elwood Field, Santa Barbara County, for a term of five years, at same royalty and upon same terms and conditions as Lease P.R.C. 129.1.

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Standard Oil Company of California -- Issuance of new lease in exchange for Gas Lease Agreement for Easement No. 415.1, Rio Vista Gas Field, Contra Costa, Sacramento, San Joaquin, and Solano counties, for a term of five years, at same royalty and upon same terms and conditions as agreement for Easement 415.1.

GOV. ANDERSON: I move them.

MR. CHAMPION: Second, and approved.

Geophysical exploration permits on tide and submerged lands of the State of California. Adoption of form of geophysical exploration permit, clarifying the statement of permit conditions by citing the precise language of the statute, said form to be utilized in the issuance of any new permit and for the extension of existing permits:

Humble Oil and Refining Company -- Geophysical exploration permit for six-month period from February 1, 1964 through July 31, 1964; Mendocino, Sonoma, Marin, San Francisco, San Mateo, Santa Cruz, Monterey, San Luis Obispo, Santa Barbara, Ventura, Los Angeles, Orange, and San Diego counties.

Shell Oil Company -- Geophysical exploration permit for period December 19, 1963 through June 19, 1964, on tide and submerged lands of Sacramento River and Suisun Bay (including Grizzly and Honker Bays), Montezuma Slough, Middle Slough, and other adjacent bays, sloughs, and rivers, in the counties of Napa, Contra Costa, Sacramento, San Joaquin, and Solano.

1           GOV. ANDERSON: Have we had any complaint from any  
2 of those counties -- any protests?

3           MR. HORTIG: No, sir.

4           GOV. ANDERSON: Either in (a) or (b)?

5           MR. HORTIG: In both of the situations, all affected  
6 counties and cities have been notified. There have been no  
7 letters of protests. There have been a minority of acknow-  
8 ledgments of the notice, and all of the acknowledgments have  
9 been on the basis that there is no objection to the conduct  
10 of the operation.

11           GOV. ANDERSON: I move it.

12           MR. CHAMPION: Second. Is there any comment?

13 (No response) Stand approved. Does this meet the problem  
14 that we have had in the last couple of meetings with Shell's  
15 operations -- this adoption of form of permit?

16           MR. HORTIG: No, sir. The problem is still a mat-  
17 ter of discussion with Shell Oil Company under existing  
18 permits which are up for renewal.

19           MR. CHAMPION: Mineral extraction leases, San  
20 Francisco Bay and similar areas: Adoption of royalty schedule  
21 applicable to mineral extraction leases in the San Francisco  
22 Bay area complex, providing for an escalation factor of five  
23 per cent per year, leases in such areas to be issued for a  
24 term of five years with a preferential right in the lessee to  
25 renew for successive periods of five years each.

26           In that preferential right, is there any guarantee

1 of a limitation to increase -- any increase, say, of the  
2 five per cent per year?

3 MR. HORTIG: No, sir; that is open.

4 MR. CHAMPION: That is open?

5 MR. HORTIG: To be determined by the Commission at  
6 the time of renewal.

7 MR. CHAMPION: Rescission of June 27, 1963, authori-  
8 zation to offer a parcel of submerged land in Suisun Bay,  
9 Contra Costa and Solano counties, for mineral extraction lease;  
10 and authorization for Executive Officer to re-offer for lease  
11 for the extraction of sand at a minimum royalty of eight cents  
12 per cubic yard an area of 126.33 acres of submerged lands in  
13 Suisun Bay, royalty to be paid to be in accordance with  
14 schedule approved in preceding item (pursuant to application  
15 of Harry Crone Thomsen).

16 Authorization for Executive Officer to offer for  
17 lease, for the extraction of sand, an area of 905.423 acres  
18 of submerged land in San Francisco Bay, Marin County, royalty  
19 to be paid (eight cents per cubic yard) to be in accordance  
20 with schedule approved in Calendar Item 18 of this agenda  
21 (pursuant to application of United Sand and Gravel Company).

22 GOV. ANDERSON: Have there been any protests to  
23 (a) and (b)?

24 MR. HORTIG: No, sir, because they haven't been  
25 offered. These are authorizations to offer for competitive  
26 public bidding and at the time of receipt of bid and

1 considering whether lease should be awarded would be the time  
2 that protests would be received, if any are to be received.

3 GOV. ANDERSON: Neither of these items have been  
4 discussed with the counties and they would know nothing of  
5 these?

6 MR. HORTIG: No, sir. There have been general  
7 discussions about this type of operations, but these specific  
8 operations have not been discussed.

9 MR. CHAMPION: Does this open up any unusual areas  
10 or new policies with respect to obtaining minerals from  
11 San Francisco Bay?

12 MR. HORTIG: No, sir. This is a continuation of  
13 the policy and program under existing statutes which the  
14 Commission has been following.

15 MR. CHAMPION: But it does not open a new area?

16 MR. HORTIG: No, sir -- in the sense that they are  
17 in San Francisco Bay.

18 MR. CHAMPION: No, I mean a new part of the Bay.

19 MR. HORTIG: Generally speaking, no. These opera-  
20 tions are surrounded by other pre-existing removal operations,  
21 geographically.

22 MR. CHAMPION: So they in no way jeopardize the  
23 current re-examination of policies on operations in the Bay?

24 MR. HORTIG: No, sir -- just in the order of degree.

25 GOV. ANDERSON: I'll move it.

26 MR. CHAMPION: Second, stand approved.

1 City of Long Beach approvals required pursuant to  
2 Chapter 29, 1956, First Extraordinary Session:

3 Wharf Area Ramp, Berth 4 to Berth 5, second phase:  
4 Proposed subproject expenditure from December 19, 1963 to  
5 termination of \$4,000, with 100% estimated as subsidence costs.

6 Water Line Reconnection to Pier 2 -- Second phase.  
7 Estimated subproject expenditure from December 19, 1963 to  
8 termination, of \$17,000, with \$10,200 (60%) estimated as  
9 subsidence costs.

10 Property Purchase -- Area 7, Lot 20, Tract 1960,  
11 second phase. Estimated subproject expenditure from December  
12 19, 1963 to termination of \$3,000, with \$1,890 (63%) estimated  
13 as subsidence costs.

14 GOV. ANDERSON: Who makes the estimation of the sub-  
15 sidence costs? Is that the City of Long Beach or what?

16 MR. HORTIG: This is submitted by the engineering  
17 section of the Long Beach Harbor Commission in connection with  
18 these three projects, which are reviewed by the engineering  
19 staff of the Commission. The final control, Governor, is --  
20 as stated in the specific resolution for each item: "...  
21 that the amounts, if any, of each of the items to be allowed  
22 ultimately as subsidence costs... will be determined by the  
23 Commission upon an engineering review and final audit subse-  
24 quent to the time when the work under any of these items is  
25 completed." They are subject to final engineering and audit  
26 review.

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GOV. ANDERSON: By our staff?

MR. HORTIG: By the Commission staff; yes, sir.

MR. CHAMPION: But we do, in the process of fixing these percentages, review these?

MR. HORTIG: We do review them to see that they are reasonable and the City cannot expend these funds without prior approval of the Commission.

GOV. ANDERSON: I'll move it.

MR. CHAMPION: Second, stands approved.

Authorization for Executive Officer to approve the Dry Gas Sales Contract of May 1, 1963, between Signal Oil and Gas Company and the City of Long Beach, as a basis for sale and delivery by Signal of all dry gas marketed from Oil and Gas Leases 392, P.R.C. 163, P.R.C. 425, and P.R.C. 426, Huntington Beach.

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

MR. HORTIG: Yes, sir. Signal Oil and Gas Company is a lessee of the State Lands Commission on the enumerated four tideland leases at Huntington Beach. From these oil and gas leases they also produce, concurrently with the oil, gas for which they now have a sales contract with the City of Long Beach -- the City of Long Beach utilizing this purchased gas for their distribution facilities in the municipal gas department. Under all these oil and gas leases, if the lessee desires to dispose of the products for money, rather than

1 delivering the State's royalty share in kind -- which is  
 2 the nominal election and to date it has almost been the  
 3 universal preference to receive the royalty share in money --  
 4 then sales contracts for disposition of the products must be  
 5 approved by the Commission, in order to determine that the  
 6 prices at which these are marketed represent an equitable  
 7 basis, pursuant to requirement under the leases.

8 Pursuant to this, Signal has submitted the sales  
 9 contract for approval, proposing to sell to the City of Long  
 10 Beach under standard terms and conditions and conformance  
 11 with all other operations in the Huntington Beach Field; and  
 12 it is recommended that the Commission approve these contracts  
 13 as the basis for the calculation of the State's royalty in  
 14 each field.

15 MR. CHAMPION: In other words, by "standard terms  
 16 and conditions," you mean the prices for other gas sold in  
 17 the Huntington Beach area?

18 MR. HORTIG: Actually somewhat higher.

19 MR. CHAMPION: Higher quality?

20 MR. HORTIG: No, but the other element that goes  
 21 into it is the matter of being able to guarantee a particular  
 22 volume of gas to a gas department -- which commands a premium.

23 GOV. ANDERSON: Now, this is a five-year or less  
 24 than five year contract. Did the City of Long Beach handle  
 25 this without our approval prior to this time, or did we go  
 26 into the preparation?

1 MR. HORTIG: The sales contract is not between the  
2 State - - the contract is actually at arms length and for  
3 royalty purposes between the State's lessee and the State it  
4 must be approved by the Commission.

5 GOV. ANDERSON: Who drew up the contract?

6 MR. HORTIG: The City of Long Beach and the City  
7 Gas Department.

8 GOV. ANDERSON: So the State doesn't get into this  
9 until it comes up for approval?

10 MR. HORTIG: Yes, sir.

11 GOV. ANDERSON: This was brought out in the hearing  
12 the other day, so I sort of got the feeling that we only get  
13 into a last-minute approval. I wonder if we shouldn't have a  
14 little more to say -- not just on this contract, but contracts  
15 in general.

16 MR. HORTIG: Governor, from the standpoint of our  
17 administrative difficulties I couldn't agree with you more.  
18 Our problem is that this is the way the present statutes and  
19 contracts have been drawn.

20 GOV. ANDERSON: We haven't recommended any change?

21 MR. HORTIG: No, but this will be the subject of  
22 study -- first, with respect to Long Beach particularly.

23 MR. CHAMPION: Let's not - - We have two very, very  
24 different situations here when we have an interest in what  
25 Long Beach does when it is contracting out to an operator --  
26 and we have been working steadily in that field to try to get

1 bilateral agreements -- and this situation, where we are oper-  
2 ating under general State law with a lessee who pays us a  
3 royalty on the thing. We have a much different relationship  
4 with him in terms of how he disposes of dry gas and oil. He  
5 pays us, in effect, not as an initial contractor in the dry  
6 gas area, but as far as royalty is concerned. Therefore, he  
7 can do what he wishes with that gas. We don't have the  
8 special relationship with them that Long Beach has, though  
9 we do have a relationship on the dry gas contract.

10 MR. HORTIG: We do have some control relationship  
11 with respect to oil in the lease analogous to this.

12 MR. CHAMPION: We would not have approval for this  
13 kind of sales contract on the sale of oil from a lessee to  
14 some other agency or company, would we?

15 MR. HORTIG: No sir, except as to the fact that  
16 such other oil sales contract must meet the pricing criteria  
17 specified in the lease.

18 MR. CHAMPION: We must be paid according to that  
19 price criteria, but they can sell at any price they wish?

20 MR. HORTIG: At more or less, yes.

21 GOV. ANDERSON: I'll move it.

22 MR. CHAMPION: Second.

23 GOV. ANDERSON: I would like to have the staff  
24 prepare, for whatever may be coming up in the special session,  
25 something along this line -- that our staff does get into the  
26 drawing of these contracts at a much earlier stage, so that

1 we are not just approving something somebody else has given  
2 to us, and as a result we aren't too aware of many of the  
3 things that are involved in the contract until it comes to us.  
4 It is my feeling we should be a little more in the initiating  
5 stages of a contract of this or any other type. Maybe I am  
6 wrong.

7 MR. CHAMPION: I would agree with you, Governor,  
8 particularly not as to this situation so much but the situa-  
9 tion we have before us of our operations under statutes under  
10 which we have Long Beach -- Chapter 29, particularly if we  
11 are going to be involved in increasing percentage of State  
12 participation. I think that there are some things that by  
13 bilateral agreement we have been reaching accord on in  
14 arriving at contracts; but as our percentage increases, pre-  
15 suming it does increase, the State will more and more need to  
16 take the lead or play a closer role in the course of contracts  
17 and operation of the field. So I quite agree with the in-  
18 struction of the staff that we should have formulated a  
19 policy on what we ought to be able to do if that law is  
20 reviewed in the budget session of the Legislature.

21 Selection of vacant Federal land in San Bernardino  
22 County, for the benefit of the State, under lieu land appli-  
23 cation where applicant decided that he did not wish to proceed  
24 with acquisition of the land: 40.08 acres pursuant to the  
25 application of James Edward Paschall.

26 GOV. ANDERSON: I'll move it.

1 MR. CHAMPION: Second, stands approved.

2 MR. HORTIG: Mr. Chairman, with respect to the  
3 next item, 10, the participants in the application for the  
4 matter before the Commission, Delbert J. Sargent and County  
5 of Imperial, have both requested a deferment of consideration  
6 of the item to at least the next meeting of the Commission.

7 MR. CHAMPION: That is agreeable?

8 GOV. ANDERSON: Fine -- so move, if you need a  
9 motion.

10 MR. CHAMPION: Fine, second. Item 10 will be  
11 deferred to the next meeting of the Commission.

12 Authorization for Executive Officer to approve  
13 modification of State's participating percentage under Rio  
14 Vista Ratable-Taking Plan for the Rio Vista Gas Field, sub-  
15 mitted by Standard Oil Company of California, lessee under  
16 agreement for Easement 415.1.

17 I don't think that quite says it on its face.  
18 Would you explain it, Mr. Hortig?

19 MR. HORTIG: Yes, sir. Pursuant to the existing  
20 gas production contract held by Standard Oil Company of Cali-  
21 fornia, which was issued pursuant to competitive public  
22 bidding for production of gas from under the Sacramento River  
23 area, the State's participation in the production from the  
24 entire field is made the subject of annual or periodic modi-  
25 fications depending upon the development within the field;  
26 and the percentage participation by the State in gas on which

royalty is paid is subject to engineering and economic review and approval by the Commission, as one of the contracting parties. In this item, the staff is recommending that the schedule which is attached, which follows on page 40 of your agenda item -- which provides for minor revisions in three of the four producing zones in the Rio Vista Field in which we are participating and, specifically, a small increase in participation in the West Emigh pool and a small decrease in the West Hamilton and East Midland pools -- be approved, because they have been found to be technically correct as presented by our lessee. This is an annual event with the Lands Commission under this contract because there is new development in the Rio Vista Field. The contract provides for this when the productive limits are changed substantially by reason of further development or by reason of an annual review.

MR. CHAMPION: Actually, we have had it more frequently than annually.

MR. HORTIG: Because there have been changes in the production limits of the field during an annual period.

GOV. ANDERSON: I'll move it.

MR. CHAMPION: Second, stands approved.

We are in the position of not being able to get a majority vote for the budget, because I will not vote for it, so we will have to pass that item.

Authorization for Executive Officer to execute a service agreement with Crescent City Harbor District for

1 surveying services to be rendered under the provisions of  
2 Chapter 1510/63, payment to the State to be the Commission's  
3 actual costs, not to exceed \$7,200.

4 GOV. ANDERSON: I'll move it.

5 MR. CHAMPION: Second, stands approved.

6 Proposed Oil and Gas Lease, 3,420 acres tide and  
7 submerged lands in Orange County -- Parcel 17.

8 Mr. Hortig?

9 MR. HORTIG: As the map following your agenda page  
10 46 indicates, the Commission has previously authorized and  
11 they are currently advertising 16-A immediately adjoining  
12 the existing lease to Humble, which is the site of the  
13 Monterey Island off Seal Beach.

14 The recommendation is that Parcel 17, the next  
15 parcel to Parcel 16, may be authorized for bid -- pursuant to  
16 the sequential bidding policy of the Commission.

17 GOV. ANDERSON: I move it.

18 MR. CHAMPION: Second, stands approved.

19 Confirmation of transactions consummated by the  
20 Executive Officer pursuant to authority confirmed by the  
21 Commission at its meeting on October 5, 1959.

22 MR. HORTIG: These items consisted solely of ex-  
23 tensions for standard periods of time of three existing  
24 geological survey permits previously authorized by the  
25 Commission.

26 GOV. ANDERSON: I move it.

1 MR. CHAMPION: Second, approved. We have an  
2 informative report on the status of major litigation.

3 MR. HORTIG: On which the only particular change of  
4 substance on the last report to the Commission is with respect  
5 to Case Number 5 in the United States Supreme Court, United  
6 States versus State of California, relative to the location  
7 of the offshore boundaries between lands under the paramount  
8 jurisdiction of the State and lands owned by the State, for  
9 such purposes as minerals. Pursuant to this, there having  
10 been action by the United States Supreme Court and in view of  
11 the fact that this is being processed for us by Assistant  
12 Attorney General Goldin, perhaps the report on this and the  
13 requirements we are going to have to meet would now be in  
14 order. Mr. Goldin?

15 MR. GOLDIN: Yes, Mr. Hortig. The item is relatively  
16 itself explanatory. In March of 1963 the Federal Government  
17 filed a supplemental complaint in the old U. S. versus Cali-  
18 fornia case. The Attorney General's Office moved to dismiss  
19 this on the ground of mootness and because of failure to  
20 prosecute. Recently, the Supreme Court made its order per-  
21 mitting the Federal Government to file its supplemental com-  
22 plaint and denying the State's motion to dismiss. At the  
23 same time, the Supreme Court imposed certain time limitations.

24 We have sixty days from December 2, 1963 to file an  
25 answer to the supplemental complaint and within the same time  
26 we are expected to brief the exceptions filed by the Special

1 Master with the Supreme Court in 1953, which exceptions have  
2 not been acted upon to date. We have also been afforded an  
3 opportunity to file and brief any additional exceptions we  
4 may care to present to the U. S. Supreme Court within that  
5 same time period.

6 MR. CHAMPION: What was the time period?

7 MR. GOLDIN: Sixty days from December 2, 1963.

8 MR. CHAMPION: Time is now running.

9 MR. GOLDIN: It is running, sir.

10 MR. CHAMPION: Is there anything further under  
11 litigation?

12 MR. HORTIG: No other substantive changes from the  
13 last report to the Commission, Mr. Chairman.

14 MR. CHAMPION: We have the next item -- Pending  
15 studies of tide and submerged land grants, a supplemental  
16 item. Will you explain that?

17 MR. HORTIG: If I may paraphrase the agenda item  
18 on pages 52 and 53, H. R. 512, written by Assemblyman Petris  
19 and Kennick has been referred to an interim committee on  
20 natural resources to study the conditions, provisions and  
21 restrictions in grants of tide and submerged lands, the  
22 utilization and development of these lands, the compliance  
23 with the provisions of grants, and the establishment of  
24 appropriate conditions, trust provisions, and reservations for  
25 grants of tide and submerged lands.

26 Mr. Chairman, you noted the existence of this

1 resolution and directed the staff to prepare a recommended  
 2 position, including the interests of the State Lands Commis-  
 3 sion and the Department of Finance. Pursuant to this directive,  
 4 the staffs of the State Lands Division and of the State Office  
 5 of Planning have jointly undertaken the accomplishment of  
 6 this assignment -- inventorying the terms under which grants  
 7 have been made and the zoning practices, how they have been  
 8 reporting back to the State with respect to the trust assets.

9 Preliminary results of the study indicate that a  
 10 lack of continuity and a marked disparity in administrative  
 11 authority relating to tide and submerged land grants has  
 12 developed throughout the years. As one specific example,  
 13 revenues obtained by virtue of the petroleum resources in-  
 14 herent to the tide and submerged lands granted in trust to  
 15 the Cities of Los Angeles, Long Beach, Newport Beach and  
 16 Redondo Beach are distributed differently. Originally, the  
 17 grant in trust relating to tide and submerged lands to these  
 18 cities permitted these cities to retain one hundred per cent  
 19 of the revenue -- which, as you know, has been modified, but  
 20 only in the case of the City of Long Beach, to provide for  
 21 payment to the State of fifty per cent of the oil revenue  
 22 and one hundred per cent of the dry gas revenues; and presently  
 23 the Cities of Los Angeles, Newport Beach and Redondo Beach,  
 24 during the years 1959-1963 produced in excess of two million  
 25 dollars of oil and gas revenues, of which no portion was  
 26 shared with the State. This averages out, as you can see,

1 only five hundred thousand dollars a year, but there are  
2 programs for additional development.

3 MR. CHAMPION: Did I hear you say only five hundred  
4 thousand dollars?

5 MR. HORTIG: Comparatively, comparing it with the  
6 order of magnitude of what happens to Long Beach, and only  
7 as yet with programs for expansion of this amount.

8 MR. CHAMPION: What relationship, if any, does this  
9 bear to the amount of money that was granted last year by  
10 the Legislature for upkeep of beaches of this area? This  
11 would be on top of this amount of money?

12 MR. HORTIG: Definitely and separately. Therefore,  
13 it is suggested, in view of the recent efforts to develop a  
14 more consistent policy with respect to conveyance and use of  
15 tide and submerged lands, that the Commission consider recom-  
16 mendations to the Legislature designed to insure a more equit-  
17 able division of revenues derived from the mineral resources  
18 of tide and submerged lands granted in trust which could be  
19 incorporated in the future recommendations of the interim  
20 committee assigned to study House Resolution 512.

21 The purpose of this suggestion is to determine  
22 whether the Commission wishes to instruct the staff to pursue  
23 this particular phase as a specific phase to be included in  
24 recommendations to the Commission and the Department of Finance  
25 for recommendation to the interim committee studying tide  
26 and submerged land grants.

1 MR. CHAMPION: There are really two choices here:  
2 One is whether to pursue it in connection with the possible  
3 opening of the consideration of the percentages in Long  
4 Beach; the other is to leave it to more general consideration  
5 of tideland grants, on which the interim committee is due to  
6 report in 1965.

7 MR. HORTIG: That is correct, sir. It was the  
8 staff's thought, inasmuch as the purpose of House Resolution  
9 512 is directed to some chance of achieving uniformity on  
10 all tideland grants, and since Long Beach is already a  
11 special case, that probably these others should be considered  
12 in conjunction with developing a uniform policy for all tide-  
13 land grants. It could go either way, but it would certainly,  
14 in connection with the specialized consideration of Long  
15 Beach, bring administrative and geographical problems into  
16 an area of discussion that has been so far localized in Long  
17 Beach only.

18 GOV. ANDERSON: What was the initial theory in  
19 giving those areas one hundred per cent of it?

20 MR. HORTIG: Well, the initial theory was that the  
21 lands were being granted for administration to the local  
22 agencies for development of navigation and fishing. The  
23 majority of these grants were made in 1911 to these communi-  
24 ties for harbor purposes.

25 GOV. ANDERSON: Do they spend it for that purpose?

26 MR. HORTIG: When it was discovered, as in Long

1 Beach, that they were also overlaying oil and gas deposits,  
2 in Marshall versus the State of California the Supreme Court  
3 said that the State had granted the oil and gas with the  
4 other land granted, but they also required that any proceeds  
5 derived from these lands would have to be restricted and ex-  
6 pended for trust purposes only. In fact, under the 1959  
7 statutory requirement, these municipalities who have oil and  
8 gas revenues from tidelands must report the nature of the  
9 revenue to the State Lands Commission, to assure that there  
10 is a record that they did make such expenditures on tide and  
11 submerged lands for trust purposes.

12 GOV. ANDERSON: Now, in the case of these three  
13 cities, when they spend oil revenues do we check their  
14 expenditures?

15 MR. HORTIG:  
16 On the first of each year, they are required to  
17 report to us what they expended and the purposes for which they  
18 expended it, and we check it.

19 GOV. ANDERSON: And if we don't agree with it, what  
20 happens?

21 MR. HORTIG: Then we ask the Attorney General if the  
22 expenditure qualified or did not. As a matter of fact, we  
23 are in litigation as to determination of the proper handling  
24 of a portion of these funds with the City of Redondo Beach.  
25 It is in your tabulation of litigation.

26 GOV. ANDERSON: There isn't any prior approval?

MR. HORTIG: No sir, there is not.

1 MR. CHAMPION: But the grants in these cases have  
2 been identical, or the law is the same that requires expendi-  
3 ture of the money?

4 MR. HORTIG: They are substantially the same. The  
5 purposes of a specific grant may vary, but in each instance  
6 the revenues on the tidelands grant would be embraced.

7 GOV. ANDERSON: Shouldn't there also be a legisla-  
8 tive change for prior approval of the expenditure? Coming in  
9 a year after they spend the money is a weak thing.

10 MR. HORTIG: This is correct, but practically it is  
11 again a matter in order of magnitude in a municipality that  
12 has low tidelands income. This is comparatively at the moment  
13 Newport Beach, who spent such a large amount of their municipal  
14 funds on harbor development. There is no real problem with  
15 respect to determining the qualifications of their expenditure  
16 of their tideland funds as a small percentage of their budget --  
17 which is happening there; but as these things grow, it becomes  
18 a problem of whether or not there are extensive operations  
19 for which tideland funds are expended by a municipality --  
20 which subsequently might be an extremely difficult situation  
21 to correct. Under those circumstances, again depending upon  
22 the degree and the order of magnitude, it could be very desir-  
23 able to have a requirement for advance approval.

24 MR. CHAMPION: There are a number of questions of  
25 this kind that we are now considering, in connection with  
26 possible legislation concurrent with the '64 budget session

1 and the policy questions that will be involved in this survey  
2 of the interim committee. I would think we might well schedule  
3 a meeting, at which we would take up what would be the Lands  
4 Commission's official recommendations to this committee and  
5 the Legislature at that time -- sometime late in January  
6 before the session. Would that be agreeable?

7 GOV. ANDERSON: My only thought was that these  
8 points come up and we tend to forget about them. That's  
9 why I suggest every so often the staff prepare something.  
10 Today it's pretty clear to me there should be prior approval.  
11 A month from now, I might forget it.

12 MR. CHAMPION: I agree that we should have a com-  
13 prehensive picture. In many things we are late. There are  
14 many problems in connection with these different grants and  
15 many situations. I would like to suggest, without firmly  
16 setting a meeting right now, that the staff would prepare a  
17 possible agenda on that matter and then suggest a possible  
18 meeting before the Legislature.

19 MR. HORTIG: We will do that.

20 MR. CHAMPION: After we have had a chance to examine  
21 an agenda for the meeting, we will see whether it would be a  
22 worthwhile enterprise.

23 Schedule of 1964 meetings of the State Lands  
24 Commission - - I think we ought to wait. Mr. Cranston will  
25 be here in five minutes, so we ought to wait on that.

26 GOV. ANDERSON: I haven't had a chance to check this  
anyway.

1 MR. HORTIG: This is actually being presented to the  
2 Commission today, for consideration by the Commissioners and  
3 possible determination at the next meeting as to needed changes.

4 MR. CHAMPION: Now, what is this item about the  
5 salary of the Executive Officer? I never heard of it. As  
6 Director of Finance, however, we did submit a formal request  
7 to everybody as to what their recommendations would be for  
8 salary increases. I assume this is in response to that.

9 MR. HORTIG: It's a follow-up on that, actually,  
10 Mr. Chairman. Under requirements of the Constitution with  
11 respect to the pay scales to be effective for any exempt  
12 position, we are informed that in the event of a consideration  
13 and recommendation by the Department of Finance to the Lands  
14 Commission, which the Lands Commission will consider at a  
15 future date after the Personnel Board has also made its deter-  
16 mination as to pay scales for civil service positions, that  
17 any decision or any approval of the Lands Commission, hopefully  
18 upward, could not be effective prior to the date that the  
19 Lands Commission had declared the position's salary range  
20 open for adjustment study.

21 MR. CHAMPION: If the Commission declares the salary  
22 open, then on action by the Department of Finance that salary  
23 could be increased without further action?

24 MR. HORTIG: No, sir. It takes further action by  
25 the Commission; but even if the Commission were, as a hypo-  
26 thetical example, to take action at the January meeting, unless

1 the Commission had previously declared the salary open for  
2 adjustment, such adjustment could not be effective any earlier  
3 than the date of the Commission's resolution; and it is sug-  
4 gested here that it be declared open for adjustment, so that  
5 if the Commission later in January should determine this would  
6 be appropriate, this could be effective on January 1, as it  
7 assumedly will be for civil service positions.

8 MR. CHAMPION: I think it is appropriate the Commis-  
9 sion should do this because there will be consideration of  
10 all salaries and the date should be fixed. I am not certain  
11 it will be January. That certainly shouldn't be precluded,  
12 however, in any way.

13 MR. HORTIG: I will state that the suggested date  
14 is still up to the Commission.

15 MR. CHAMPION: I assume they will accept the same  
16 pattern as the rest of the exempt positions. Is that satis-  
17 factory to you? I'll move that we approve Item 29 regarding  
18 the salary January first. It will stand approved.

19 I think that that really carries us to the two  
20 subjects which are to be held open, and that is the one on the  
21 Long Beach tidelands parcel and the other is the proposed  
22 budget of the State Lands Division. I hesitate to begin the  
23 discussion on that.

24 (At this point Mr. Cranston entered -- 11:10 a.m.)

25 MR. CHAMPION: The two items still requiring action  
26 are, one, the proposed budget of the State Lands Division, on

1 which I traditionally reserve my vote because of a conflict  
2 as Director of Finance. Would you make that presentation,  
3 Frank?

4 MR. HORTIG: Yes, Mr. Chairman. As detailed on  
5 pages 41 through 44 of your agenda, the State Lands Division  
6 has submitted a proposed expenditure program for the '64-'65  
7 fiscal year, in accordance with administrative policy and  
8 directives and within the allocation control recommended by  
9 the Department of Finance. Therefore, it is recommended that  
10 the Commission approve the submittal by the State Lands Divi-  
11 sion, which submittal in turn, of course, is still subject to  
12 review by the Division of Budgets and the Director of Finance.

13 MR. CHAMPION: I might add that there is something  
14 that should be noted in this budget proposal and that is,  
15 that it would establish in Sacramento a much higher level  
16 position as assistant to Mr. Hortig, to handle the affairs of  
17 the Commission in Sacramento, than has previously been the  
18 case. Technical problems and increasing volume of legislative  
19 concern in items before the Commission really make it necess-  
20 ary for this kind of liaison, in my opinion anyway, and there  
21 is such an approval of this kind of position.

22 This position is also intended to further investi-  
23 gate for the Lands Commission and meet what I would consider  
24 to be our responsibilities in the area of natural gas. There  
25 have been a number of proposals to bring the State's interest  
26 in natural gas to some focal point outside the Public Utilities