and regulations to be incorporated in the California Administrative Code.

The draft has been reviewed by the Office of the Attorney General and has, of course, been constructed cooperatively with the staff of the State Lands Division to reflect the Commission's previous policy determination. It is now proposed to be advertised for, again, public comment before final adoption and consideration by the Lands Commission after the prescribed advertising and consideration period.

The authorization required from the Commission today is solely to authorize the publication in order to continue the procedures as necessary, that will culminate in rules and regulations.

MR. CRANSTON: I move the authorization.

GOV. ANDERSON: Second.

MR. CHAMPION: Is there any further question? (No response) Stands approved.

Confirmation of transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1964.

MR. HORTIG: Which included solely the extension of the terms of geological and geophysical exploration permits previously authorized by the Commission.

GOV. ANDERSON: I move them.

MR. CRANSTON: Second.

1 MR. CHAMPION: Stand approved.

2 Is there any report on the status of litigation?

3 MR. HORTIG: No major modifications in the report
4 from the last meeting, with the exception that a decision has
5 been received in the case of Twombley versus the City of Long
6 Beach and the State of California, in which it was contended
7 by Mr. Twombley that the State had no right, title or inter-
8 est in any portion of the Long Beach tidelands; and the
9 District Court of Appeal does not agree with Mr. Twombley
10 and did agree with the Attorney General's Office, who defended
11 this case on behalf of the Lands Commission.

12 MR. CHAMPION: I congratulate the Attorney General's
13 Office.

14 We have two items tentatively before us, which I
15 think it would be proper for us to discuss. I don't think we
16 can properly take any action on them today. I think we could
17 if we were prepared. I am the one who is not prepared.

18 We now have before us the report prepared by the
19 staff on, I think the proper title is "Tidelands Oil Develop-
20 ment and its relationship to the esthetics of the coastline."
21 This is still in draft condition, but I think it has given us
22 enough background so we can proceed to the consideration of
23 the question raised by the Lieutenant Governor and the Com-
24 mission with respect to the development in Santa Monica...

25 GOV. ANDERSON: Now, this is not Santa Monica;
26 this is in general.

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1 MR. CHAMPION: As I recall, you were not present
2 at the meeting. You said you wanted to see this whole report
3 before any action was taken in Santa Monica.
4 GOV. ANDERSON: I think the original request applied
5 to the Orange coast, although it is related to the Santa Monica
6 area; but it was originally to the Orange coast.
7 MR. CHAMPION: That I did not understand. Well,
8 perhaps, then, we better separate this. Which would you like
9 to take up first?
10 GOV. ANDERSON: I was going to ask the question
11 today on Santa Monica.
12 MR. CHAMPION: Let's deal with Santa Monica.
13 GOV. ANDERSON: Maybe I can ask the question and
14 that will at least move in that direction. Is that one here?
15 MR. CHAMPION: It is marked "Tentative." It is not
16 an item on the agenda. We can or not take action, as we see
17 fit.
18 GOV. ANDERSON: The question I was going to ask:
19 In the development of the Santa Monica area, I understand
20 that in the Santa Monica Bay area the problem we have was
21 brought about by the request of the City of Los Angeles to
22 develop a section that is under their jurisdiction; and our
23 concern was once that Los Angeles starts, it will start a
24 general area reaction that will force Santa Monica and El
25 Segunda and other cities to follow suit, and we would in a
26 few years have a lot of wells out in Santa Monica Bay, and

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and islands and various other things -- and my question was, before we have to make a decision in regard to Los Angeles' request, couldn't we implement some sort of requirement or study the possibility of having them go into below surface drilling, so if there would be any drilling they would be below the surface when they were drilling, they wouldn't be unsightly, they would be drilling from barges. I was wondering what our jurisdiction would be.

MR. HORTIG: The jurisdiction of the Lands Commission with respect to operations proposed to be conducted by grantees of tide and submerged lands is, as the Office of the Attorney General has reported, extremely limited. It would occur to staff that a study of the nature implicit in the question you raise, Governor Anderson, with respect to alternative methods of possible development -- an evaluation of the economics, the cost of both the development and operation, and so forth -- could, of course, be undertaken by staff to serve as a report and possibly as a suggestion to the City of Los Angeles for consideration in connection with the proposed operation. Our understanding of the authority of the Commission with respect to granted lands is that the Commission is not empowered to substitute its own judgment for that of the grantee, as to how an area was to be developed, as a matter of legal right. It would be a matter of cooperative suggestion.

MR. CHAMPION: Or of seeking legislation which would take effect that the State covers the whole area,

where individual municipalities take such action.

MR. HORTIG: That is correct. I was suggesting what was feasible under existing law. So we are back to the point of the possible consideration by the Commission of whether additional study, and particularly evaluation of the factor that Governor Anderson raises a question on, should be undertaken by the staff to be reported back to the Lands Commission and to be reported to the City of Los Angeles in view of the fact that this proposed action is the prototype and would represent the initial exploratory drilling operation in Santa Monica Bay. The mathematical probability of a chain reaction, as Governor Anderson suggested, is as good in this area as it is anywhere in the tidelands.

On the other hand, the absolute magnitude and the ultimate span of this chain reaction would, of course, depend on where petroleum deposits are found. If, for example, only a minor deposit were to be found, why then the amount of chain reaction would be severely limited in a community, in all probability. On the other hand, if an extensive deposit would be located in the area, whether it could create a problem for the City of Santa Monica on the west as to any deposits in the Santa Monica tidelands to protect them from drainage, El Segundo from the east, and progressively west of Santa Monica Bay and further east, would be dependent on what the actual geology would be.

MR. CHAMPION: Governor Anderson's point seems to

be well taken at this time. You could hardly deal with this chain reaction when it is on you. The only thing to do is to review it before the advent of the problem. Could we do this -- Would this be satisfactory to members of the Commission, without getting into a formal action that is not formally on the agenda -- to ask that the staff work with the people in Santa Monica to advise them on the technological ability of industry and, in this particular situation, of the underwater type of development, to see whether or not just on a cooperative basis and our offering technological help they couldn't work out something which would give us a satisfactory solution to the Santa Monica problem.

GOV. ANDERSON: You are thinking of the City of Los Angeles?

MR. CHAMPION: The City of Los Angeles -- excuse me -- and at the same time try to formulate some proposals to the Commission on legislation which would empower the Commission to deal satisfactorily with the future problems here. The Legislature has before them now a study of the tidelands and specifically this matter of grants to the local areas and what conditions should be attached. While this is primarily new conditions, it seems to me that the question that has been raised here can very well be made a condition on old grants; and if we could work this out so we would not have to hold up this development, we could work out standard conditions for every other grant. Do you think that would meet the problem?

GOV. ANDERSON: If we could get the City of Los Angeles to agree to this attempt for underwater drilling, that would obviously help.

MR. CHAMPION: Are there any representatives here of the City of Los Angeles?

MR. HORTIG: Mr. Spaulding.

MR. SPAULDING: Yes, Mr. Champion.

MR. CHAMPION: Does this procedure sound satisfactory to you?

MR. SPAULDING: Well, it will delay our plans for moving on this, I am sure, but if there is no other way of doing it, then we will have to consider it, obviously.

MR. CHAMPION: There is another meeting of the Commission on August 18th. If we could have the discussions between your representatives and the representatives of the Lands Commission to see what this would entail - - There are real limits on what the State can insist on in a case of this kind. I would hope that we could work this out by discussion. We are not going to try to exceed our legal authority here, but we would like to raise what we think are the appropriate questions and are going to be ever more important questions of public policy.

MR. SPAULDING: We would certainly like to cooperate with the Commission in this endeavor.

MR. CHAMPION: Let's have the exploratory discussions and let's put the matter formally on the agenda for

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August 18th. Is that satisfactory?

MR. SPAULDING: Yes.

GOV. ANDERSON: Our staff will meet with their staff.

MR. CHAMPION: Yes; but I don't want to forget the long range thing, either, which is proposals to the Interim Committee on the subject of these grants.

Anything further on this matter? (No response)

MR. HORTIG: Mr. Chairman, may I ask a question, then? Could we also formally include on the August 18th agenda the matter of determination of Commission policy with respect to tide and submerged lands under the jurisdiction of the Commission -- in other words, dealing with all the other tide and submerged lands other than the granted lands?

MR. CHAMPION: I would appreciate having the time to give additional study to the documents you have provided me.

MR. HORTIG: We will calendar it at that time, on August 18th.

MR. CHAMPION: Is there any further matter to come before the Commission?

MR. HORTIG: Yes, there is. Mr. Ketchum of Mobil Oil Company has indicated a request to address the Commission with respect to the Commission's sequential leasing program.

MR. KETCHUM: Mr. Chairman, my name is George H. Ketchum and I represent the Mobil Oil Company. I have a question concerning the Commission's future policy with respect

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1 to the sequential leasing program for tidelands oil and gas
2 leases. As you are aware, the various competing companies
3 interested in bidding on State offshore tidelands must necess-
4 arily plan and budget their exploration effort and funds as
5 far as practicable into the future. This requires cooperation
6 by the Commission to the greatest extent possible in keeping
7 industry informed of its programmed competitive lease sales.
8 To this end, a sequential leasing program was adopted in
9 November 1960, under which the offering of one offshore parcel
10 per month was contemplated.
11 The question of whether the Commission will adhere
12 to a policy of offering one parcel a month for the balance of
13 1964 is of prime interest to Mobil. Thus far in 1964, my
14 company has expended in excess of three million dollars on
15 offshore exploration and lease acquisitions. Several other
16 companies, as you are well aware, have spent substantially
17 greater amounts.
18 The interest of the industry in the State's sequen-
19 tial leasing program was expressed in a letter from the
20 Western Oil & Gas Association to you, Mr. Chairman, dated
21 June 22, 1964. In your response dated July 9, 1964, you
22 reaffirmed the Commission's desire to maintain the sequential
23 leasing program in the interests of orderly development of the
24 State's tide and submerged lands.
25 I have noted the absence of any additional offering
26 of a lease parcel from today's calendar. I believe that the

1 inclusion of such an item on today's calendar would be necess-
2 ary in order to conduct a sale in September.
3 My question, Mr. Chairman, which I, as well as the
4 representatives of other companies, would appreciate your
5 answering to the best of your ability at this time, is whether
6 the Commission intends to adhere to a sequential leasing pro-
7 gram of offering approximately one parcel per month during
8 the balance of 1964. If not, can you give us any indication as
9 to how many parcels will be offered and the approximate schedule
10 of such offerings.
11 Thank you.
12 MR. CHAMPION: Let me say at the beginning that when
13 that letter which went to the Western Oil & Gas Association
14 said, "Yes, we do believe in sequential leasing. We want to
15 do as much as we can for industry," the Government has its
16 own problems, cash flow and otherwise, and needs to pay some
17 attention to those; and those will always be the controlling
18 factor. And where we will give as much information as far in
19 advance as possible, we can't be bound by anything other than
20 public policy; in other words, what is best for Government
21 at that time.
22 Usually, the interests of industry and Government
23 coincide, but sometimes they don't; and when they don't we must
24 take action of some kind other than that they would prefer.
25 As to your question, I don't know of any reason why
26 we should interrupt the sequential leasing program at this

1 time. Has there been any change in the program?

2 MR. HORTIG: There is no specific program for inter-

3 rupting the sequential leasing program, in response to the

4 Chairman's question. I think it must be understood, however,

5 and it should be understood that the Commission's original

6 directive in 1960 for a sequential leasing program did not

7 contemplate or commit that there would be a lease offer every

8 month and, as a matter of fact, as statistics have already

9 borne out, this has averaged out over the intervening years at

10 about one every sixty days. There have been periods where

11 leases have come every thirty days, but then there have been

12 some ninety-day gaps, with the result that the average has

13 been one every sixty days and we are right at one of those

14 points of gap in the sequence that go into making the average

15 as of this meeting today.

16 So I know the Commission understands, and I believe

17 the industry should understand, that leases will be offered

18 sequentially as rapidly as it is feasible to select lease

19 areas for offer, and that are felt to be in the major public

20 interest to be offered at that time. Sometimes evaluation

21 and selection of these areas takes time, with the result that

22 we cannot always meet a one-every-thirty-day schedule, particu-

23 larly with the staff available to the State Lands Commission

24 at this time.

25 MR. CHAMPION: Let me say this -- with this sort of

26 stutter we had in June, the sequential system is going forward

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as it has in practice since 1960; that there is no change in policy and program, and that you can look to that experience as to what we expect to happen in the coming year -- in other words, a continuation of the same policy. That one deviation I think we had in June in the leasing, we would not expect that to happen again. I think that's about as good and definite information as we can offer. If you have got a specific inquiry or problem, I am sure that the staff will be glad to help you.

MR. KETCHUM: Mr. Chairman, I am not attempting to belabor the situation, but I was trying to get an idea of how many we would have during the remaining year, and I would gather from Frank's statement we might expect two or three.

MR. CHAMPION: I think normally you would expect more than that. On a sixty-day basis, you would have six in a year. We have now had two that would be gone; at least four more, possibly more than that, depending on how they come in the fiscal year.

The date, time and place of the next Commission meeting -- Tuesday, August 18, 1964, at ten a.m. in Sacramento.

Is there anything further to come before the Commission? (No response)

We stand adjourned.

ADJOURNED 11:50 A.M.

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2 CERTIFICATE OF REPORTER
3
4 I, LOUISE H. LILLICO, reporter for the Office of
5 Administrative Procedure, hereby certify that the foregoing
6 forty-eight pages contain a full, true and correct transcript
7 of the shorthand notes taken by me in the meeting of the STATE
8 LANDS COMMISSION held in Los Angeles, California on July 28,
9 1964.
10 Dated: Los Angeles, California, August 5, 1964.
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12 Louise H. Lillico
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