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TRANSCRIPT OF
MEETING
of

STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA
November 13, 1964

PARTICIPANTS:

THE STATE LANDS COMMISSION:

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

Mr. F. J. Hortig, Executive Officer

STATE LANDS DIVISION:

Mr. Kenneth C. Smith, Public Lands Officer

APPEARANCES:

- Mr. H. Morgan Noble, President, Marconi
Cove Marina, Inc.
- Mr. Richard C. Nelson, Counsel for
Crown Zellerbach Corporation

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

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>
	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
1	Call to order		
2	PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:		
6	(a) Goleta Sanitary District	19	1
7	(b) Merced Irrigation District	11	3
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9	3		
10	PERMITS, EASEMENTS, LEASES, AND RIGHTS-OF-WAY, FEE:		
11	(a) Southern Calif. Edison Co.	17	8
12	(b) American Metal Climax, Inc.	7	9
13	(c) Donald D. Updegraff	4	10
14	(d) Signal Oil and Gas Company		
15	1. Lease PRC 3177.1	12	11
16	2. (1) Lease P.R.C. 392.1	13	12
17	(2) " " 163.1	14	13
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19	(4) " " 426.1	16	15
20	(e) Lindsey H. Spight, dba Diablo Communic. Center	2	16
21	(f) Texaco Inc.	8	17
22	(g) Phillips Petroleum Company	6	18
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24	MINERAL EXTRACTION		
25	Lease to A. G. Schoonmaker, Inc.	10	20
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27	BOUNDARY AGREEMENT		
28	Betw. Miriam Blaich, City of Newport Beach, and State of California	1	22

continued

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

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<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
6 ADMINISTRATION			
(a) Adoption of Rules and Regulations for public lands administration	9	27	4
(b) Modification of legal descriptions in Exh. A & C of Unit Agreement Coal Oil Point offshore oil & gas field, Devereaux area	5	48	8
(c) Confirmation of transactions of Executive Officer: Pauley Petroleum Union Oil Company	3	50	9
<u>SUPPLEMENTAL CALENDAR ITEMS:</u>			
7 Informative - Nonreceipt of bids, Parcel 23, Ventura Co.	20	51	--
8 Consultants, Long Beach Unit, Wilmington Oil Field	21	52	9
9 Lease to Marconi Cove Marina, Inc., Tomales Bay	22	53	13
10 Authorization to offer for lease for extraction of sand and gravel, 17.33 acres in Humboldt Bay pursuant to applic. Crown Zellerbach Corp	23	55	16
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I N D E X

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<u>SUPPLEMENTAL ITEMS:</u>		
20	51	--
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<u>NEXT MEETINGS:</u>		
		20

1 GOV. ANDERSON: The meeting of the State Lands
2 Commission will come to order. The secretary will make note
3 that all three members are present.

4 The second item is permits, easements, and rights-
5 of-way to be granted to public and other agencies at no fee,
6 pursuant to statute:

7 Applicant (a) Goleta Sanitary District -- Life-of-
8 structure permit, 7,467 acres total tide and submerged land
9 near Goleta, for construction and maintenance of 36" steel
10 sewer outfall line.

11 Applicant (b) Merced Irrigation District -- Right-
12 of-entry permit, 1,68 acres school lands, Mariposa County,
13 needed as part of access road.

14 Applicant (c) County of Ventura -- Life-of-structure
15 permit, 2,339 acres tide and submerged lands of Pierpont Bay,
16 City of Ventura, Ventura County, for construction and mainten-
17 ance of two protective groins.

18 MR. CRANSTON: Move approval.

19 MR. CHAMPION: Second.

20 GOV. ANDERSON: Moved and seconded, carried unani-
21 mously. Item 3 is permits, easements, leases, and rights-
22 of-way issued pursuant to statutes and established rental
23 policies of the Commission:

24 Applicant (a) Southern California Edison Company --
25 49-year easement, 4,155 acres school land, San Bernardino
26 County, to cover area occupied by existing overhead power

1 transmission line. Total rental \$324.87.

2 Applicant (b) American Metal Climax, Inc. -- Assign-
3 ment to Joseph I. O'Neill, Jr., John B. Ashmun, and H. T.
4 Hilliard of Prospecting Permit P.R.C. 3036.1, Imperial County
5 (geothermal steam).

6 Applicant (c) Donald D. Updegraff -- Assignment to
7 Leland V. Coulter of Lease P.R.C. 3013.1, tide and submerged
8 lands of Sacramento River at Clarksburg, Yolo County (floating
9 wharf).

10 Applicant (d) Signal Oil and Gas Company -- Assign-
11 ments of undivided interests in State oil and gas leases,
12 Orange County: (1) Lease P.R.C. 3177.1, to: Pauley Petroleum
13 Inc., a corporation, and Edwin W. Pauley, an individual.
14 (2) To Pauley Petroleum Inc., Edwin W. Pauley, John B. Elliott,
15 John C. Elliott, Henry H. Clock, John G. Clock, Maude H. Clock,
16 and R. A. Waestman of four leases: (1) Lease P.R.C. 392.1,
17 (2) Lease P.R.C. 163.1, (3) Lease P.R.C. 425.1, (4) Lease
18 P.R.C. 426.1.

19 Applicant (e) Lindsey H. Spight, d.b.a. Diablo Com-
20 munications Center -- Sublease under P.R.C. 2364.2 to Ralph
21 Panella, for micro-wave installation and control station.

22 Applicant (f) Texaco Inc. -- Deferment of drilling
23 requirements under Oil & Gas Lease P.R.C. 2725.1, Santa Bar-
24 bara County.

25 Applicant (g) Phillips Petroleum Company -- Defer-
26 ment of drilling requirements under Oil & Gas Lease P.R.C.

1 2205.1, Santa Barbara County.

2 Is there any discussion on any item? (No response)

3 MR. CHAMPION: Move approval.

4 MR. CRANSTON: Second.

5 GOV. ANDERSON: Moved and seconded, carried
6 unanimously.

7 Item 4 -- Mineral Extraction. Authorization for
8 Executive Officer to issue to A. G. Schoonmaker, Inc., the
9 highest qualified bidder, a mineral extraction lease for
10 57.59 acres of submerged lands in Suisun Bay, Contra Costa
11 and Solano counties, at a royalty for the first year of 16.3
12 cents per cubic yard of material extracted, to be increased
13 automatically after the first year at a rate of 5% per year
14 for each of the next four years.

15 MR. CHAMPION: Move approval.

16 MR. CRANSTON: Second.

17 GOV. ANDERSON: Moved and seconded -- carried
18 unanimously.

19 Item 5 -- Boundary Agreement. Authorization for
20 Executive Officer to execute a boundary agreement between
21 Miriam Blaich, the City of Newport Beach, and the State of
22 California, fixing the boundary of granted State tide and sub-
23 merged lands along the shore of Newport Bay.

24 MR. CHAMPION: Move approval.

25 MR. CRANSTON: Second.

26 GOV. ANDERSON: Moved and seconded -- carried
unanimously.

1 Item 6 -- Administration: (a) Adoption of Rules
 2 and Regulations for public lands administration program (other
 3 than sovereign, tide and submerged lands); and the first is
 4 the adoption of final Rules and Regulations to be incorporated
 5 under Articles 1, 2, 5, and 6 of Title 2, Division 3, Cali-
 6 fornia Administrative Code; second is to establish \$5-per-acre
 7 minimum acceptable bid for purchase of school and swamp and
 8 overflowed lands under Article 5; and third, is to revoke
 9 general withdrawal order of May 24, 1960, and direct that
 10 applications to purchase shall not be accepted until the 46th
 11 day following adoption of regulations herein set forth.

12 MR. CHAMPION: Move approval.

13 MR. CRANSTON: Second.

14 GOV. ANDERSON: Moved and seconded. I want to ask
 15 a question on that first, because I have been asked to ask
 16 a question by my former seat-mate in the Assembly, Jack
 17 Massion, who has written a letter on this. He is not in the
 18 audience. His suggestion was a preference for people who
 19 have adjacent property. I think he says the Government gives
 20 preference to people who have adjacent property. Could you
 21 comment on that?

22 MR. HORTIG: Yes, Governor. This specific problem
 23 of preferences was reviewed by the State Lands Commission at
 24 the public hearings for an adoption of policy preceding the
 25 drafting of the rules and regulations which are now under
 26 consideration for adoption today to implement that policy.

1 At the time of the public hearings and all during
2 the discussions on rules and regulations up to approximately
3 September of this year -- and this means during the entire
4 program, which started February 24, 1959 -- there were no
5 specific recommendations for providing preferences for private
6 purchasers. They were not discussed and reviewed at public
7 hearings until the last letter from former Assemblyman Massion.

8 The specific problem of granting preferences was
9 disposed of as a matter of policy on vote of the Commission
10 and also at the suggestion of the Senate Natural Resources
11 Committee in that the original theory for preference was to
12 provide for active applications to purchase State lands.
13 Such necessity has long since gone by the boards. It was
14 originally adopted by the Surveyor General's Office in terms
15 of having the first applicant and first bidder be given the
16 preference of meeting the highest bid on the presumption this
17 was necessary to settle the lands, in order to settle the
18 West. I think the conclusion is pretty well established that
19 the West has been settled, without continuing the need for
20 this type of preference.

21 It was for that reason that the specific suggestion
22 that Mr. Massion furnished to the Commission at the last
23 stage of consideration of rules and regulations, as well as
24 all other types of preferences, were not included and any
25 preceding preferences in the rules and regulations were ex-
26 cluded in connection with the proposed adoption of the rules

1 and regulations.

2 I might point out that any consideration for any
3 amendment of these rules and regulations under administrative
4 procedure would delay for at least another six months, probably
5 because this would be a substantive change -- a program which
6 has been five years in culmination.

7 GOV. ANDERSON: I am aware of that, but I wanted to
8 get into the record as to why the staff has recommended or
9 decided to recommend against any preferential rights.

10 MR. HORTIG: The basic one I have already covered,
11 Governor. Also, I think the record can show again here, be-
12 cause this has been included in prior discussions, that prefer-
13 ences would be applicable, in fact, to only a minority of the
14 State lands that remain available to be sold, the majority of
15 which is not surrounded by other privately owned lands and
16 does not adjoin other private lands, but is adjoined by
17 property of the United States. So, therefore, this was
18 another factor in considering why there should not be a pref-
19 erence provided equitably that would only apply to a minority
20 of the possible purchasers in dispositions of lands by the
21 State Lands Commission.

22 MR. CHAMPION: Fundamentally, there just isn't any
23 public policy reason for preference.

24 MR. HORTIG: That is correct.

25 GOV. ANDERSON: Just as a matter of procedure, if
26 somebody has a piece of property he has developed adjacent to

1 State lands that he initiates by making the bid and getting
2 the process started, then if someone makes a higher bid after
3 he makes the initiation, what is his next step? Does he have
4 the additional right to come in and meet that?

5 MR. HORTIG: No, sir.

6 GOV. ANDERSON: Once he starts the thing in motion
7 he can't get back into the picture?

8 MR. HORTIG: No, sir.

9 GOV. ANDERSON: Doesn't this deter the idea of some-
10 body starting something on property next to them?

11 MR. HORTIG: Not necessarily; because, as I said,
12 in general again the majority of State lands, vacant State
13 lands that are for the immediate future available for public
14 sale, predominantly adjoin vacant public domain of the United
15 States rather than private lands susceptible to development.
16 So for a general program any preference in this connection
17 would only apply to a minority as a possibility.

18 Additionally, this is the same problem that any same
19 landowner faces with respect to acquisition or desire to ex-
20 pand and acquire property adjoining property he has developed,
21 because he would probably prefer to buy more land in the first
22 instance, but wasn't sure he could.

23 GOV. ANDERSON: But he could get himself into the
24 picture, but under our policy he cannot.

25 MR. HORTIG: This is correct -- except by negotia-
26 tion with the purchaser.

1 GOV. ANDERSON: The other purchaser?

2 MR. HORTIG: The other purchaser.

3 MR. SMITH: There is one step not being covered here.
4 When he initiates his original application, that brings it to
5 appraisal. The appraisal is made and that brings it to pub-
6 lication. During the publication he can increase his original
7 offer to whatever offer he wishes to submit. He does have
8 this second chance.

9 GOV. ANDERSON: You make the appraisal and he has a
10 chance when this is published -- he can put in a new bid?

11 MR. SMITH: He would then know the market value and
12 he can reopen that, so he does have a second opportunity.

13 GOV. ANDERSON: I am in favor of getting this on the
14 road, because I was one of those who got it off the road in
15 1959 and '60. I know there are people that want to bid on
16 State lands. I also want to point out the fact that after we
17 adopt this -- it goes into effect about the first of the year?

18 MR. HORTIG: This is correct.

19 GOV. ANDERSON: - - there will be about what? One
20 hundred thousand acres of State lands available for bid?

21 MR. HORTIG: From there on.

22 GOV. ANDERSON: We hope this is something they can
23 go on with, so they can give us bids. Is there any further
24 discussion? (No response) So ordered unanimously.

25 Item (b) -- Authorize modification of legal descrip-
26 tions in Exhibits "A" and "C" of Unit Agreement dated June 26,

1 1964, for development and operation of Coal Oil Point offshore
2 oil and gas field, Devereaux area, Santa Barbara County.

3 MR. CHAMPION: Move approval.

4 MR. CRANSTON: Second.

5 GOV. ANDERSON: Carried unanimously.

6 Item (c) is confirmation of transactions consummated
7 by the Executive Officer pursuant to authority confirmed by
8 the Commission at its meeting on October 5, 1959.

9 MR. CHAMPION: Move approval.

10 MR. CRANSTON: Second.

11 GOV. ANDERSON: Carried unanimously. There are three
12 supplemental items. I believe the first is Number 21 relative
13 to consultants' services, oil and gas operations, Long Beach
14 granted tide and submerged lands, Wilmington Oil Field, Los
15 Angeles County, California -- Work Order 5200.2.3.

16 Mr. Hortig, do you want to comment on that?

17 MR. HORTIG: Well, Mr. Chairman, as you and the
18 Commissioners will recall, the Commission on October 9th
19 directed that consideration be given to the retention of con-
20 sultants to work with the staff in evaluating bids received
21 for the contractors' shares in the Long Beach Unit of the
22 Wilmington Field.

23 Subsequently, on October 22nd, there was further
24 instruction to the staff to expand the consideration to in-
25 clude assistance in the development and application of all
26 required operating programs.

1 It has been determined from staff review that a
2 proper evaluation of the bids will require complete analysis
3 of the unit documents, the contractors' agreement, all avail-
4 able exploration data that has been developed, all production
5 information available from operations under the Long Beach
6 Harbor Department leases, and an engineering economic appraisal
7 of the proposed methods of exploitation of what is essentially
8 to be a new field; and these determinations are so complex for
9 a field of the first magnitude of the Long Beach Unit that
10 patently for effective consultation advice to the Commission
11 there will have to be a competent staff from any consultant
12 firm, experienced in management, exploration and development
13 of oil and gas reservoirs, including secondary recovery opera-
14 tions, pressure maintenance, unitization programs and the unit
15 operation of an oil field -- actually the entire gamut of
16 exploration and exploitation of petroleum in accordance with
17 the most modern technology and scientific methods available.

18 For this reason and the fact that such operations
19 will have to be undertaken immediately because of the timing
20 under which the contracts are to be implemented and the dates
21 bids will be opened -- the first of which will be on February
22 9th -- assistance will be necessary from any consulting firm
23 to conduct a training program for any personnel to be assigned
24 to the State Lands Division staff, for phasing in continued
25 control of these operations in the future when the program has
26 been fully developed or, at least, is reaching a full development

1 stage. For this reason it is recommended that the Commission
2 authorize the Executive Officer to determine the availability
3 of consultants with experience in engineering, geology, audit
4 and legal phases of oil and gas development, with particular
5 emphasis on tide and submerged land operations, and to report
6 on such available consultants for selection by the Commission.

7 For this latter purpose of selection, it would be
8 my suggestion that the Commission consider the possibility of
9 a special meeting early in December, at which time the staff
10 can report to the Commission and have available for consulta-
11 tion with the Commission selected available consulting firm
12 representatives with their specific proposals as to how this
13 consultation work would be conducted.

14 MR. CHAMPION: It's fine with me. Would it be pos-
15 sible to have only one meeting in December and have that one
16 early in December?

17 GOV. ANDERSON: I can't. I will be here for our
18 regular meeting.

19 MR. HORTIG: The regular meeting is scheduled for
20 December 22nd in Sacramento. With respect to retention of
21 consultants, it is imperative that the Commission reach a
22 decision as rapidly as can be done after having determined the
23 specific programs to be undertaken by the consultants -- which
24 can, again, best be determined in conjunction with discussion
25 and negotiation with available consulting firms who are to be
26 contacted and who would be evaluated for Commission considera-
tion in accordance with the criteria which were contained

1 in the report which was made available to the Commissioners
2 approximately one week ago.

3 GOV. ANDERSON: When would you feel the meeting
4 should be?

5 MR. HORTIG: The first week in December.

6 GOV. ANDERSON: You can have a meeting and Mr.
7 Sieroty can represent me on something of this sort.

8 MR. CHAMPION: I will move, then, the adoption of
9 the recommendation of the staff -- subject to consultation as
10 to the exact date. Will you be coming back with actual recom-
11 mendations, with affirmative recommendations; or will you
12 be bringing us your recommendations on a number of bases?

13 MR. HORTIG: Presently it is the intent, if there
14 are a number of qualified available firms, that the results of
15 the discussion and representations from those firms would be
16 brought to the Commission for final determination of a selec-
17 tion by the Commission.

18 MR. CHAMPION: This will be a complete canvass of
19 the people who meet the requirements?

20 MR. HORTIG: Anyone and everyone who expressed any
21 interest in being available will receive a complete outline
22 of the scope of the contracts under which this work would have
23 to be conducted and the goals to be achieved. We have had
24 expressions of interest from three firms as a result of prior
25 directives of the Commission to the staff to consider retain-
26 ing consultants for this purpose. These three inquiries we

1 have had already and any others that we get, as I say, will
2 forthwith be given full evaluation against which to submit a
3 proposal if they consider they are qualified and available.

4 MR. CRANSTON: I second.

5 GOV. ANDERSON: Moved and seconded, carried unani-
6 mously.

7 MR. CRANSTON: Let me ask you -- Do you want to try
8 to set a tentative date for that now? When would you be ready
9 with your recommendation?

10 MR. HORTIG: Well, not having reviewed and spoken
11 with, in the detail required, even the limited number of
12 organizations who have expressed an interest, as a matter of
13 safety -- and since, as I mentioned, the time requirements
14 make it necessary that this be early in December -- if Friday,
15 December the 4th, were available to you and Mr. Champion for
16 such a review, this would probably be the best that we could
17 schedule tentatively at this time.

18 MR. CRANSTON: That will be all right with me.

19 MR. CHAMPION: That's fine.

20 GOV. ANDERSON: The order will be modified to having
21 a special meeting of the State Lands Commission in Sacramento
22 on December 4th.

23 MR. CRANSTON: When is the regular meeting?

24 MR. HORTIG: Tuesday, the 22nd.

25 GOV. ANDERSON: Supplemental Item Number 2 -- Number
26 22 on our calendar -- is the application to lease a parcel of

1 tide and submerged lands, Tomales Bay, Marin County, Marconi
2 Cove Marina, Incorporated -- Work Order 5105.

3 There was some difference on this. I understand
4 this has been worked out now, Mr. Hortig?

5 MR. HORTIG: I can report to the Commission that
6 the staff recommendation as it is before the Commission is
7 acceptable to the applicant. There is ~~no~~ possibility of
8 modification in the immediate future, but which the Commission
9 could consider as a modification if desired, in that the total
10 area desired might be reduced from the 9,478 acres to approxi-
11 mately eight acres -- which, of course, would decrease the
12 amount of annual rental.

13 If I may suggest, Mr. Chairman -- the representa-
14 tive of the applicant, Mr. H. Morgan Noble, is in the audience,
15 and he might wish to comment. I do not know.

16 MR. NOBLE: Thank you. I appreciate being placed
17 on as a supplemental item.

18 GOV. ANDERSON: Would you state your name and who
19 you represent?

20 MR. NOBLE: I am H. Morgan Noble. I am president
21 of Marconi Cove Marina, Incorporated; and I just want to
22 state briefly the reason for this request is that very
23 recently Synanon, an organization which is treating dope
24 addicts immediately adjacent to our property, only Tuesday
25 of this week came out with a plan to bring out here a possi-
26 bility of a potential five thousand dope addicts from the

1 east coast to this area for treatment.

2 Now, that has affected our planning quite a bit. I
3 think you can appreciate it, and until it is resolved we didn't
4 want to extend our plans as much as we had previously intended.
5 I'd like to bring to the State's attention what is happening
6 there because you do have three State parks right opposite
7 where this Synanon organization is locating and we have always
8 been led to believe that Tomales Bay was going to be developed
9 along recreational lines. The Point Reyes national seashore
10 and the park is there and our organization is geared to that;
11 but Synanon has located there and with these extensive plans
12 we want to pull in our planning some and go ahead with approxi-
13 mately half of the area we have asked for, in other words work
14 out details with Mr. Hortig's staff on about five acres --
15 because we do have our money together and would like to start
16 our development and ask if Synanon is removed, which we hope,
17 because they are defying ordinances all the way down the line,
18 we would like to come back and get the additional area.

19 GOV. ANDERSON: Would you like to have this deferred
20 to the next meeting?

21 MR. NOBLE: We would like to go ahead on the five
22 acres -- go ahead with that if possible.

23 MR. HORTIG: On that basis, an amended motion of
24 the Commission might be desirable, approving the type of lease
25 under the same established rules and regulations and policies
26 of the Commission for the five acres selected out of the

1 9,478 acres.

2 MR. CHAMPION: You will need to work that out. Why
3 don't you bring that back at the special meeting?

4 MR. HORTIG: We will do that on December 4th and
5 will defer such modification to that meeting.

6 MR. NOBLE: Thank you.

7 GOV. ANDERSON: Motion to defer to the next special
8 meeting is in order.

9 MR. CRANSTON: Move.

10 MR. CHAMPION: Second.

11 GOV. ANDERSON: Moved and seconded, carried
12 unanimously.

13 Next supplemental item is Number 23 -- That's the
14 Crown Zellerbach Corporation application for mineral extrac-
15 tion lease, Humboldt Bay, Humboldt County, Work Order 5354.
16 Mr. Hortig?

17 MR. HORTIG: It is requested that authorization be
18 given the Executive Officer to offer for lease, pursuant to
19 competitive public bidding, seventeen acres, approximately,
20 of submerged lands in Humboldt Bay, Humboldt County, for
21 extraction of sand and gravel at a minimum royalty of eight
22 cents per cubic yard, pursuant to the application of Crown
23 Zellerbach Corporation -- which operation, in conjunction with
24 filling uplands and establishing an operating plant, has had
25 the full support of all the public agencies in Humboldt County
26 with one limited exception.