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TRANSCRIPT OF

MEETING

of

STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA

January 24, 1967

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

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<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 Election of Chairman			1
3 Confirmation minutes of November 17 and Dec. 14, 1966			10
4 PERMITS, EASEMENTS, RIGHTS- OF-WAY, NO FEE:			
(a) Counties of Sacramento and Yolo	12	1	11
(b) National Metal & Steel	14	2	11
(c) State Dept. Fish & Game	24	3	11
(d) State Dept. of Public Works Div. of Bay Toll Crossings	4	5	11
(e) State Dept. Water Resources	6	6	12
5 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:			
(a) Firmin A. Gryp, et al	3	10	12
(b) Wilson D. Patterson	5	11	12
(c) Pacific Gas & Electric Co.	9	12	12
6 OIL-AND-GAS AND MINERAL LEASES AND PERMITS			
(a) Standard Oil Co. of Calif. Western Operations, Inc.	(1) 31 (2) 32 (3) 33	13 14 15	13 13 13
(b) Texaco Inc.	26	16	13
(c) Atlantic Richfield Company	(1) 29 (2) 30	17 18	13 13
(d) Phillips Petroleum Co.	21	19	13

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6 OIL-AND-GAS AND MINERAL LEASES AND PERMITS, cont'd			
(e) Continental Oil Company	11	20	13
(f) Ralph D. Barnes	34	21	16
(g) Frank P & Elvera Seghesio	18	23	17
(h) Standard Oil Co. of Calif. Western Operations, Inc. and Shell Oil Company	22	26	18
(i) Texaco Inc.	8	27	19
(j) Proposed Oil and Gas Leases:			
(1) Parcel 47, WO 6220	15	28	20
(2) Parcel 48, WO 6345	16	30	20
7 CITY OF LONG BEACH:			
(a) Subsidence costs - closing accounts AFE-91,458,548,560	2	33	20
(b) Approval drilling schedule Wells A-174-I,669,868-I Island A, Long Beach Unit	13	36	21
(c) Approval exp. \$94,500 for beach lots	1	37	22
(d) Approval 1st Modification 1967 Plan of Development and Operations, L.B. Unit	20	38	25
(e) Cooperative agreement, City Long Beach and Mobil Oil	19	40	26
8 LAND SALES:			
(a) Dept. Public Works, Div. of Highways, San Bernardino County	25	42	26

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(In accordance with Calendar Summary)
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<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>
9 ADMINISTRATION:			
(a) Refund to Phillips Pet.	7	45	27
(b) Settlement trespass claim against E.J. Simpson	17	46	28
(c) Authorization re stipulation extending interim occupancy P G & E to land in litigation State vs. Leslie Salt	23	47	28
(d) Designation of member of Comm. to SF BCDC	27	48	29
10 INFORMATIVE - Litigation	35	50	29
11 NEXT MEETING			31
14 UNCALENDARED:			
15 Federal Public Land Law Review Committee hearings			1
16 Discussion re 10% freeze on hiring, with special reference to second survey crew			2

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16	16	30	20	UNCALENDARED:		
17	17	46	28	Federal Public		
18	18	23	17	Land Law Review		
19	19	40	26	Committee hearings		
20	20	38	25	Discussion re 10%		
21	21	19	13	freeze on hiring,		
22	22	26	18	special reference		
23	23	47	28	to second survey		
24				crew		
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1 JANUARY 24, 1967 - 11:04 A.M.

2

3 GOV. FINCH: This first meeting of the 1967 State
4 Lands Commission is in order. The first item is the election
5 of the Chairman. I recognize the Director of Finance.

6 MR. SMITH: Mr. Finch, I'd like to nominate Mr.
7 Houston Flournoy as Chairman of the State Lands Commission.

8 GOV. FINCH: That makes it unanimous.

9 MR. FLOURNOY: Thank you very much, gentlemen, for
10 that vote of confidence. I appreciate that.

11 I think that probably we should move along with the
12 agenda and dispose of it, unless you have other matters that
13 you want to bring up at this time.

14 GOV. FINCH: I think for the record there should be
15 an affirmation of the continuation of Mr. Hortig as our Chief
16 Executive Officer, and I so move.

17 MR. SMITH: I second.

18 MR. FLOURNOY: Without objection, so ordered.

19 GOV. FINCH: I have another agenda item -- or non-
20 agenda item that should be brought to the Governor's attention
21 and that is the fact that the Federal Public Land Law Review
22 Commission will be held here in February. I believe this body
23 should recommend that Mr. Hortig represent the State of Cali-
24 fornia as the Governor's representative for the purpose of
25 those hearings. I so move.

26 MR. SMITH: I second.

1 MR. FLOURNOY: If there is no objection, then we
2 will adopt that as well and instruct Mr. Hortig to prepare a
3 suitable report to be sent to the Governot on behalf of all
4 the members of the Commission in this regard.

5 GOV. FINCH: The only other item I would want to
6 make inquiry into before we get into the regular items, Mr.
7 Chairman, is that I have had this continuing concern about our
8 obligations with respect to survey work and the fact that we
9 have a very substantial backlog which is holding up a lot of
10 real estate development; and I would like Mr. Hortig to speak
11 to the point. I understand we have a second crew authorized
12 but we have been unable to get that organized -- I'd like
13 him to speak to that point with respect to the position the
14 administration is taking and the freeze that has been ordered,
15 so it is clear.

16 MR. FLOURNOY: I think it will be helpful to us if
17 Mr. Hortig is prepared to give us some information on the im-
18 pact of the freeze and the budget.

19 MR. HORTIG: Mr. Chairman, my report this morning
20 necessarily must be in general terms because the specific de-
21 tails are still under discussion with the Department of Finance.
22 The indications are that in order to achieve the recommended
23 or, rather, directed ten percent cut and assigning these cuts
24 to priorities of positions where the cuts would be less injuri-
25 ous to the programs of the State Lands Division, primarily be-
26 cause positions that would be eliminated are currently vacant

1 although they have been authorized and attempts have been and
2 are underway to fill these positions, in achieving such cuts
3 it would be necessary to eliminate many other positions --
4 all the positions in the proposed second survey crew that was
5 authorized as of July 1, 1966. In addition thereto, if other
6 vacant positions in the Division which are now frozen and
7 which are vacant and this freeze will carry over into the next
8 fiscal year, in addition to the ten percent cut that is now
9 under discussion with the Department of Finance the freeze of
10 other vacant positions would constitute the equivalent of
11 another fifteen percent cut, or the Division's effective cut
12 for staff would be twenty-five percent -- which patently is
13 far beyond the call for consideration at the present time by
14 the Administration.

15 Similarly, if in anticipation that the positions
16 could not be filled in the next fiscal year and, therefore,
17 should continue to remain vacant in the current year so as to
18 eliminate the need to terminate employees as of June 30th of
19 this year, this would represent a cut of twenty percent in the
20 current year State Lands Division budget -- which, again, is
21 far in excess of any suggestion that has been made with respect
22 to budget procedure.

23 So the point I am making is: First, we have the
24 problem that we cannot accomplish those things that we had
25 programmed in upgrading our boundary determination unit work
26 and which is essential, as Governor Finch has already outlined,

1 with a ten percent cut; and, patently, we are in much more
 2 difficult administrative position if the freeze is continued
 3 and we are not permitted or authorized to fill vacant posi-
 4 tions currently, which positions would represent an equivalent
 5 cut even beyond the ten percent level.

6 GOV. FINCH: Mr. Hortig, what I have difficulty in
 7 comprehending is this: When these positions were authorized
 8 for this second survey did you get into negotiations with the
 9 Personnel people? Why have those positions remained vacant?

10 MR. HORTIG: They have not been filled for two rea-
 11 sons, Governor: One, that recruitment for this type of posi-
 12 tion is very difficult for a small agency. The Department of
 13 Water Resources and large agencies of this type manage to get
 14 all the personnel initially because they can offer future pro-
 15 motional opportunities, which are slower in a small agency such
 16 as the Division of Lands.

17 The other reason is: For positions which are of a
 18 specialized type, even though authorized as of July 1, 1966,
 19 the Personnel Board does not start study of classifications,
 20 examinations and eligible lists until after the approved budget
 21 is in effect; and the balance of these positions are approxi-
 22 mately one-half under study, approximately one-half now classi-
 23 fied and authorized -- and that half that is classified and
 24 authorized is now the subject of the freeze.

25 MR. SMITH: Mr. Hortig, have you received the print-
 26 er's proof of your budget?

1 MR. HORTIG: Yes, we have, Mr. Smith.

2 MR. SMITH: Was the ten percent cut for this coming
3 fiscal year based upon your request -- a ten percent from the
4 budget of the fiscal year? It was a ten percent cut from the
5 request?

6 MR. HORTIG: Yes.

7 GOV. FINCH: Did that request conform to the general
8 terms which Mr. Flournoy and I discussed with you before Mr.
9 Smith was appointed Director of Finance, or was that a prior
10 request?

11 MR. HORTIG: No, it was a subsequent request.

12 GOV. FINCH: In other words, it did encompass the
13 problems of the survey work that we discussed with you?

14 MR. HORTIG: No, sir. The proposal was to demon-
15 strate where a ten percent cut could be taken that would be
16 least injurious to the total programs of the Lands Division;
17 and in the priority of the situation the only way that such a
18 ten percent cut could be arranged cumulatively would be to in-
19 clude the elimination of this second survey crew primarily,
20 because it represents positions that are currently vacant and,
21 therefore, would cause the least disruption in terms of Per-
22 sonnel Board rules and regulations.

23 GOV. FINCH: In that budget are there any funds that
24 might be used to hire survey crews?

25 MR. HORTIG: No, sir, unless alternative funds are
26 appropriated. There are no funds that could be used for this

1 particular type of work on a contract basis, for example. We
2 have an additional difficulty, Governor, that under the Consti-
3 tution and the statutes work may not be done under service con-
4 tract that can be done under civil service; so that it would
5 be extremely difficult - - it can be anticipated it would be
6 difficult to get contract funds for that type of work, for
7 which staff funds had been budgeted.

8 MR. SMITH: Mr. Hortig, essentially and in summary
9 fashion, what are the effects of the cancellation of this
10 second survey crew? In other words, what is involved so far
11 as hazards to the State?

12 MR. HORTIG: First and foremost, there are many
13 applications for State-owned lands, the leasing of which would
14 represent revenue initially to the General Fund and then to
15 the other funds to which these funds are distributed under
16 statute.

17 Second, there is a wide backlog of cases filed on
18 which litigation is pending and on which there have been post-
19 ponements -- where adjoining upland owners desire to know where
20 their boundary line is, so they can pursue development projects
21 on their own land which would be of general economic benefit
22 to California, as Governor Finch has suggested; and if these
23 are brought to trial -- as many of the citizens almost undoubt-
24 edly properly will do, losing patience with waiting for the
25 day when their boundary line can be determined -- the State can
26 lose lands and title to some lands of value, which cannot be

1 estimated, simply through default and the inability to be able
2 to present the proper technical data to the Office of the
3 Attorney General for protection in the State litigation.

4 The dollar value is difficult to express, but the
5 point I must stress is that these title problems, on which we
6 are accumulating more and more of a backlog which we have an
7 inability to discharge because of the lack of staff, is not
8 the type of problem that evaporates at the end of the year.
9 The title problem becomes more complex, the property becomes
10 more valuable. The litigation and settlement in the future is

11 usually much more expensive than to do it on a current basis.

12 MR. FLOURNOY: Could I get a little clarification of
13 this budget picture? If I understand you, the freeze, in
14 light of the current vacancies in the staff, if continued to
15 the present fiscal year would result in a reduction of twenty
16 percent. In other words, if all the vacancies are not filled
17 until the end of the fiscal year, it will be a cut of twenty
18 percent -- a twenty percent cut in State Lands administration.

19 MR. HORTIG: That is right.

20 MR. FLOURNOY: I gather if that is perpetuated
21 through the next fiscal year, it would result in twenty-five
22 percent.

23 MR. HORTIG: Ten percent of which was suggested by
24 the Department of Finance.

25 MR. FLOURNOY: I wonder if it would be possible for
26 us to get from you a summary of these vacant positions. I

1 know that we have got them in one form or another, but if you
2 could summarize them, giving variables: One, the possibility
3 of actually recruiting someone to fill them, which I gather
4 varies according to the qualifications required; and the
5 necessity of filling them -- if you follow me, which may or
6 may not be the same -- within the twenty percent we are now
7 talking about which are now vacant. Then we could try to
8 look in some sense at the priority and urgency involved in
9 these vacancies and the necessity of trying to fill them.

10 MR. HORTIG: We have, of course, had to assign such
11 priorities in our discussions with the Department of Finance
12 and we certainly can recast that report in the format which
13 you have suggested.

14 I did want to stress again, since you mentioned the
15 difference between the availability of personnel and the pos-
16 sible necessity of filling the positions, it is not a question
17 of necessity -- because all of these positions were authorized
18 in the first instance only after justification of necessity
19 had already been demonstrated in the last budget; but it is a
20 matter of priority.

21 MR. FLOURNOY: My only thought is if the Commission
22 is going to consider the possibility of attempting to revise
23 the current rules relating to hiring in order to fill positions,
24 the question of whether we can fill it if we get the authoriza-
25 tion to fill it would have considerable bearing on trying to
26 fill it.

1 MR. HORTIG: Interpreted correctly, your suggestion --
2 and I concur -- is completely valid; that there is no point in
3 expending extreme effort on an academic exercise to get clear-
4 ance on a position that cannot be filled in fact.

5 MR. SMITH: Mr. Hortig, since you received the
6 printer's proof, have you had an opportunity to sit down with
7 the people in Finance?

8 MR. HORTIG: Yes, sir. We have been in continued
9 conference and I have a draft of a memorandum which is to be
10 discussed with your budget division this afternoon.

11 MR. SMITH: I'd like to suggest, Mr. Chairman, that
12 because of the importance of this in the State Lands Commis-
13 sion's work and the distinction between the staff that is do-
14 ing this work from the other departments and agencies of the
15 government, whereby this group is really under the control and
16 the responsibility of the Commission, that they have the oppor-
17 tunity to review this in some detail with the Department of
18 Finance and then come back to the Commission so the Commission
19 can make a recommendation as to what will be and will not be
20 included in that budget as compared to the staff just sitting
21 down with the Department of Finance and getting the final
22 budget.

23 As Mr. Hortig knows, and I have discussed it with
24 him, the proposed ten percent cut in the State Lands Division
25 was for the purpose of getting the budget in, and this could
26 vary from department to department; and I think the time has

1 come, because of the pressures of this work, that we have to
2 make a determination as soon as possible.

3 MR. FLOURNOY: What is the time factor?

4 MR. SMITH: It should be pretty soon.

5 MR. FLOURNOY: We could try to schedule another
6 meeting which would be earlier than the next meeting.

7 MR. HORTIG: Mr. Chairman, might I suggest just as
8 soon as these staff discussions with Finance have progressed
9 to the point where there are specifics, that I then contact
10 you gentlemen with respect to the possibility of a brief meet-
11 ing at an earlier date?

12 MR. FLOURNOY: Why don't we leave the date for the
13 next meeting for this purpose open and you can call the Chair
14 when the modifications have progressed to the point where it
15 will be useful for us to get together and then we will announce
16 it publicly. Anything further along this line, gentlemen?

17 (No response)

18 The next item on the agenda is the confirmation of
19 minutes of meetings of November 17 and December 14, 1966.

20 GOV. FINCH: I move.

21 MR. SMITH: I second.

22 MR. FLOURNOY: Without objection, those minutes will
23 be adopted as read.

24 Now we move on to the agenda. I assume anyone in
25 the audience who has any point or a desire to express them-
26 selves with regard to any of these items on the agenda has

1 so indicated to the Executive Officer. I don't believe anyone
2 has expressed a desire to speak on any of these items. That
3 will continue to be the procedure at these meetings -- that
4 we would like advance notice of any particular point the
5 audience would like to address themselves to. Short of that,
6 I think we can proceed expeditiously, unless there are items
7 that the Commission members want to discuss.

8 Mr. Hortig?

9 MR. HORTIG: Mr. Chairman, Calendar Item 4 on your
10 summary pages I and II comprises a series of permits and
11 authorizations generally to public and other governmental
12 agencies at no fee or a nominal fee, all pursuant to statutes
13 and in each instance the consideration for authorization of
14 the permit is the public benefit and public use of the facility
15 authorized.

16 Briefly, the counties of Sacramento and Yolo desire
17 to reconstruct an existing bridge at approximately one-half
18 mile south of Courtland, Sacramento County;

19 National Metal and Steel Corporation has had a prob-
20 lem of having a tow going ashore at Pacifica in San Mateo
21 County while en route with the U.S.S. George E. Johnson for
22 dismantling and must occupy some State tide and submerged lands
23 unless it is abandoned;

24 The State Department of Fish and Game desire to con-
25 duct an operation for measuring fish in Honker and Grizzly Bays;

26 The State Department of Public Works requires

1 temporary authority for construction of three survey towers
2 for the proposed Coronad Bridge;

3 And the Department of Water Resources requires an
4 easement over State-owned lands for the construction, mainten-
5 ance and operation of a fish hatchery; and before the obvious
6 question is raised, the program is for the Department of Pub-
7 lic Works to proceed with this construction, but the fish
8 hatchery will be transferred to the Department of Fish and
9 Game for operation and maintenance.

10 GOV. FINCH: I move the approval of Agenda Item 4,
11 permits and easements.

12 MR. SMITH: Second.

13 MR. FLOURNOY: Unanimously approved and the permits
14 and easements will be granted.

15 MR. HORTIG: Number 5 -- Items (a) and (b) -- Two
16 minor-structure permits for piers for multiple recreational
17 use at Lake Tahoe; in item (c), Pacific Gas and Electric Com-
18 pany desire a ten-year renewal of a previously existing lease
19 which covers a gas line crossing easement of the Napa River,
20 on which the rental on the as yet currently established policy
21 of the Lands Commission would be \$25.

22 GOV. FINCH: May I just ask when did we last take
23 an over-all review of the leasing policies on piers in Lake
24 Tahoe?

25 MR. HORTIG: If my memory serves me correctly, it
26 was in the early part of 1960. However, there is a staff

1 review and study underway which will be reported with recom-
2 mendations to the Lands Commission early this year.

3 MR. FLOURNOY: Any objection to the granting of the
4 permits, easements, leases and rights-of-way under (a), (b)
5 and (c)? (No response) Without objection, so ordered.

6 Number 6?

7 MR. HORTIG: Number 6 is oil-and-gas and mineral
8 leases and permits issued pursuant to statutes and established
9 policies of the Commission. Items (a) through (d) can be con-
10 sidered en bloc inasmuch as they are for authorization to ex-
11 tend for a period of six months existing but expiring geo-
12 logical and geophysical exploration permits which have been
13 issued to various oil companies, who conduct these operations
14 under service contract with exploration agencies or for their
15 own account.

16 MR. FLOURNOY: Is there any objection to extending
17 these permits as indicated in the agenda for (a) through (d)?
18 (No response) Without objection, they will be extended as
19 indicated.

20 MR. HORTIG: Now, item (e) is a new application for
21 a new permit for geophysical exploration of the same nature as
22 those just extended, ranging along the California coast from
23 Santa Barbara County to Mendocino County. It has been prior
24 practice of staff to notify County Boards of Supervisors of
25 the coastal counties offshore of which these operations are to
26 be conducted, even though these lands are under the exclusive

1 jurisdiction of the State Lands Commission, in order that
2 there could be a determination that there were no local objec-
3 tions to the conduct of such operations.

4 No objections were received from any of the counties
5 and, as a matter of fact, only three counties acknowledged --
6 San Francisco, Sonoma and Mendocino. All three stated no
7 presentation would be made and Sonoma said specifically not
8 only would no objection be presented, but what else could they
9 do to implement the program?

10 The City of Seaside in Monterey Bay adopted a reso-
11 lution, which they sent to their County Board of Supervisors
12 and which we received yesterday, asking that the operations
13 not be permitted. Now, the basis for the request appears to
14 be possibly based on a misunderstanding that petroleum produc-
15 tion in Monterey Bay poses a serious threat of pollution to
16 the Bay and recreational and existing commercial activities
17 which depend on water purity and cleanliness of the seashore.

18 None of these things result from the type of permit
19 which is here being recommended and, indeed, are prohibited by
20 statute.

21 So, because of this possible lack of understanding
22 on the situation, I recommend that the Commission authorize
23 this permit subject to the understanding that the permittee
24 will not conduct any operations offshore the City of Seaside
25 in Monterey Bay until such time as the staff has been able to
26 explain and review the problem with the officials of the City

1 of Seaside.

2 GOV. FINCH: Just as a point of information, how
3 many Federal permits or leases are outstanding along this same
4 geographical area?

5 MR. HORTIG: About twelve -- but out in the Outer
6 Continental Shelf lands which, in the case of Monterey Bay,
7 are three miles seaward of the headland to headland points
8 across Monterey Bay. So operations under the Federal permits
9 are so far out to sea, you can't see them from the City of
10 Seaside with a telescope.

11 GOV. FINCH: Of those twelve, how many have actual
12 drillsites or platforms?

13 MR. HORTIG: None.

14 MR. SMITH: How much time has Santa Barbara and all
15 these counties had to respond to this proposal?

16 MR. HORTIG: Sufficient time and have informally
17 responded. As a matter of fact, the County Counsel of the
18 County of Santa Barbara is in the audience this morning.

19 Since approximately again in the 1950's, there have
20 been controlled conditions for conduct of offshore exploration
21 in the County of Santa Barbara, which have been satisfactory
22 to the Board of Supervisors of Santa Barbara County. So there
23 have been no objections from Santa Barbara County to any opera-
24 tions since that time as long as these control conditions con-
25 tinue to be effective.

26 Actually, we have had in recent years no objections

1 that were not eliminated after the problem and the solutions
2 were explained.

3 MR. FLOURNOY: Without objection -- unless there is
4 one -- this item (e) under "6" will be approved subject to the
5 exception which has been explained. That leaves (f), (g), (h),
6 (i) and (j) under "6."

7 MR. HORTIG: Item (f): I will give possibly a
8 little more detail than nominally warranted because it is
9 representative of the tremendous gamit of operational problems
10 that the Lands Commission has. There are statutes authorizing
11 prospecting permits for minerals other than oil and gas, where
12 the lands are not known to contain minerals at the time of
13 application for the permit. These conditions are the case
14 with respect to 160 acres of school land in San Bernardino
15 County. The applicant is entitled to, at the discretion of
16 the Commission (it is not mandatory), a prospecting permit at
17 a fee of \$160 for two years for the area to be explored.
18 If there are commercial discoveries during the time of the
19 permit, the applicant is entitled to a preferential mineral
20 lease at royalty rates which are specified in the permit and
21 would be carried over into the lease.

22 GOV. FINCH: What would those rates be?

23 MR. HORTIG: The royalty schedules appear on page
24 22 of your agenda. They are specified with a sliding scale
25 for gold, silver, other precious minerals, and radioactive
26 minerals; for nonprecious metallic minerals; for nonmetallic

1 minerals; with minima and a provision for an escalation of the
2 royalty rates if the market value of the minerals increases
3 any time during the lease.

4 MR. SMITH: The exploration fee, as well as the
5 royalty rates -- when were they last revised?

6 MR. HORTIG: The exploration fee as well as the
7 exploration royalty rate are both statutory.

8 MR. SMITH: When were they established?

9 MR. HORTIG: 1921.

10 MR. SMITH: That raises an interesting question.

11 MR. FLOURNOY: Yes.

12 MR. HORTIG: We have noted the question and we will
13 have a report for the Commission with alternatives.

14 MR. FLOURNOY: But with regard to this specific item
15 here, do you have any objection?

16 MR. SMITH: No, I have no objection.

17 MR. FLOURNOY: Let's approve item (f) without objec-
18 tion, as indicated under prospecting permits.

19 MR. HORTIG: Item (g) is interesting in that it rep-
20 resents a prospecting permit on a parcel of land in which the
21 State is only the owner of the minerals beneath the surface,
22 but the application for this permit is from the owner of the
23 surface, whose predecessors in interest purchased the surface
24 from the State of California with a mineral reservation.

25 -- It is additionally unique because this is an applica-
26 tion for prospecting for the new, exotic, glamorous source of

1 energy -- geothermal energy; but the royalty rates that would
2 be applicable were specified by Commission resolution and ap-
3 proved by Commission resolution during 1966, so in this in-
4 stance they are current to the extent that we have very limited
5 market data, really, with respect to market value of geothermal
6 energy.

7 GOV. FINCH: Could you give us a more precise state-
8 ment as to what our responsibility would be in regard to the
9 geothermal development? This is a whole new venture, I think.
10 I am wondering if we are going to extend ourselves into that
11 field unnecessarily. Do we have some precise guidelines here?

12 MR. HORTIG: In order of your questions, Governor --
13 first, this isn't an extension into the field. There are
14 approximately thirty existent prospecting permits for this
15 purpose and four leases for this purpose which ripened out of
16 prospecting permits, where it was demonstrated that there were
17 commercial deposits of geothermal energy. These are all lo-
18 cated in the Salton Sea area and are pilot operations underway.

19 GOV. FINCH: Who is conducting those operations?

20 MR. HORTIG: Imperial Geothermal, a subsidiary of
21 Morton International.

22 MR. FLOURNOY: Is there any objection to approve
23 this prospecting permit? (No response) No objection, so
24 ordered. (h)?

25 MR. HORTIG: Item (h) -- an application of Standard
26 Oil Company and others, as current lessees of an existing oil

1 and gas lease; and, as reported on page 26, in the development
2 of the lease a drilling schedule was undertaken that already
3 qualified and completed all drilling requirements under the
4 lease through April 13, 1968.

5 At the present time, rather than arbitrarily follow
6 the automatic drilling schedule which requires a new well one
7 hundred twenty days after the last well is completed, it is
8 the desire -- and it is recommended by staff -- that the les-
9 see be permitted to conduct, complete the conduct of seismic
10 surveys and further geological evaluations in order to deter-
11 mine the optimum location for the next well to be drilled.
12 This requires a deferment of the drilling schedule as specified
13 under the lease and is within the authority of the Lands Com-
14 mission to grant, and it is recommended.

15 MR. FLOURNOY: Is there any objection to deferring
16 the drilling requirements of item (h)? (No response) Without
17 objection, so ordered. (i)?

18 MR. HORTIG: Item (i), application of Texaco Inc.,
19 while referring to another existing oil and gas lease, is not
20 completely analogous with the description I just gave -- be-
21 cause here there has been no success with respect to develop-
22 ment. There are no producing wells and exploration is continu-
23 ing. There is one of two options this Commission may take:
24 Either to request a quitclaim for failing to follow the drill-
25 ing schedule, in which event 4,250 acres of vacant ocean would
26 come under the jurisdiction of the State with a loss of \$4,250

1 annual rent; or an extension of drilling requirements can be
2 authorized, under which the lessee can make further explora-
3 tion and hopefully be able to drill a well.

4 MR. FLOURNOY: Any objection to granting the defer-
5 ment under item (i)? (No response) No objection, so ordered.
6 (j)?

7 MR. HORTIG: Items (1) and (2) under (j) pertain to
8 two parcels of tide and submerged lands in Suisun Bay, for
9 which an interest has been expressed and there are prospective
10 bidders if an oil and gas lease is offered. The request under
11 item (j) is for authorization for staff to advertise for bids.
12 The lease offer as offered would be amended to conform to the
13 latest 1966 statutory amendments which have not been hereto-
14 fore in any lease offer by the Lands Commission because of
15 their late effective date. This relates only to definition
16 of multiple completion of oil wells and is not a substantive
17 matter and, therefore, was not detailed in this request.

18 MR. FLOURNOY: Is there any objection to authorize
19 the Executive Officer to so advertise the items under (j) for
20 lease? (No response) So ordered.

21 Item 7 -- City of Long Beach.

22 MR. HORTIG: This covers a range of items which will
23 appear monthly before the State Lands Commission because of
24 the Commission's jurisdiction with respect to monitoring and
25 control of administration and other activities in the granted
26 tide and submerged lands in the City of Long Beach.

1 Items (1) and (2) of (a) relate to closing out the
2 bookkeeping with respect to projects previously approved to
3 the City of Long Beach, authorized by the State Lands Commis-
4 sion; but inasmuch as Chapter 29 of the Statutes of 1956 pro-
5 vides that for various projects which include as a portion of
6 the operation the alleviation, prevention or repair of damage
7 caused by land surface subsidence, twenty-five percent of the
8 subsidence cost is authorized to be deducted from this fund
9 that would otherwise be remitted to the State. Such projects
10 require advance approval. It is impossible to make precise
11 estimates prior to completion, so they are approved subject to
12 final audit and engineering review when the projects are com-
13 pleted, to determine what the precise amounts are.

14 In this instance, then, approval will authorize the
15 closing of accounts on four projects -- on two of which credits
16 are due the State in view of the earlier estimates, two of
17 which credits are due the City of Long Beach. These are prac-
18 tically an offset to each other on the order of \$20,000 on
19 each side of the column.

20 MR. FLOURNOY: Is there any objection to closing
21 these accounts as indicated on the agenda? (No response) No
22 objection, so ordered.

23 MR. HORTIG: Item (b) is the last item of its type
24 which will come before the State Lands Commission, with the
25 approval of the 1966 drilling budget for the initial develop-
26 ment in the Wilmington Oil Field. The budget approval carried

1 the requirement that for modifications of drilling schedules,
2 even those within the constraints of the budget if directed by
3 and approved by the Executive Officer and the City Manager of
4 Long Beach, nevertheless such actions had to be ratified by
5 the State Lands Commission. This was simply a provision in
6 the original budget approval.

7 The proposal before you is the last of the ratifica-
8 tions to clear out the 1966 budget actions. For 1967, this
9 same condition was not included in the budget approval -- so
10 they will not have to be brought back to the Commission for
11 ratification.

12 MR. FLOURNOY: Is there any objection to approving
13 the action taken by the Executive Officer on item (b)? No
14 response) No objection, so ordered.

15 MR. HORTIG: Item (c): Chapter 138, Statutes of
16 1964, in addition to assigning the Lands Commission both eco-
17 nomic responsibility and control of the Long Beach Unit, also
18 provided as to expenditure of its share of tideland revenue
19 in Long Beach that the City must seek non-objection from the
20 Lands Commission on any capital project involving \$50,000 or
21 more.

22 In the subject instance, the City desires to acquire
23 for \$94,500 certain shore properties which are necessary for
24 conduct of its shore operations; and in order to expend its
25 own share of tideland revenues for this purpose it must have
26 a statement of non-objection from the State Lands Commission.

1 GOV. FINCH: Mr. Hortig, what are they going to do
2 with this? Is it for corporate purposes or recreational pur-
3 poses?

4 MR. HORTIG: It is for recreational purposes and for
5 development of the entire shoreline of Long Beach.

6 Additionally, Governor, the point should be made
7 that when properties are so acquired they become an asset of
8 the trust, so that they do not become an asset of the general
9 funds of the City of Long Beach and they don't offset any
10 corporate funding and cannot be used for municipal purposes
11 but only for trust purposes under which the original tide and
12 submerged lands were granted.

13 MR. SMITH: Mr. Hortig, the expenditure for this
14 purpose -- this apparently exists under some guideline in the
15 statute?

16 MR. HORTIG: Yes.

17 MR. SMITH: So there are guidelines in the statute
18 for which these funds can be spent?

19 MR. HORTIG: Chapter 138, Statutes of 1964 has a
20 maximum limit ...

21 MR. SMITH: I wonder why an audit matter like this
22 should have to be on a State Lands Commission agenda. If
23 there are guidelines in the statute, this could be done by
24 audit.

25 MR. HORTIG: The statute requires non-objection by
26 the State Lands Commission either within sixty days, failing

1 which the project is deemed approved. So the Commission can
2 let it go by default.

3 In addition, anything to come before the Lands Com-
4 mission to be approved must be presented by agenda and must be
5 approved by resolution of the Commission by at least two votes
6 This is part of the Public Resources Code. It is a cumbersome
7 procedure, Director Smith.

8 MR. SMITH: I guess my point is this: This is a
9 statute that provides guidelines. Why not let Long Beach
10 spend the money and it can be audited later?

11 MR. FLOURNOY: As I recall, I was somewhat concerned
12 at this point in time as to how much money Long Beach could
13 purposefully use. I think the State should have some restrain-
14 ing influence on the expenditure of this money. My memory on
15 the legislative history is not complete, but I recall some such
16 feeling on the part of the Legislature.

17 MR. HORTIG: Mr. Chairman, your memory of the legis-
18 lative history is crystal-clear and, of course, the Legislature
19 raised the question as to whether or not prior actions had been
20 valid and should be questioned, and there was no authority to
21 question. Therefore, this control was established and this
22 responsibility was given to the Lands Commission to monitor
23 these operations.

24 MR. FLOURNOY: Is there an objection to the approval
25 of this expenditure in item 7 for these beach lots? (No
26 response) Without objection, it will be so approved. (d)?

1 MR. HORTIG: Under item (d) we have approval of the
2 first modification of the 1967 plan of development and opera-
3 tions and budget -- which is the vehicle through which the
4 State Lands Commission has full economic control of the new
5 development at Long Beach. A budget having been approved, it
6 however has been found that expedition of certain operations
7 is going to be of financial and economic and engineering ad-
8 vantage to the operator and to the State.

9 Therefore, it is recommended that the Commission
10 authorize a modification of the 1967 plan of development and
11 operations to provide additional funds which will permit more
12 expeditious development from item (d) than, as originally con-
13 templated, might be feasible.

14 MR. FLOURNOY: Any comment?

15 GOV. FINCH: Explain to me the significance of the
16 Calendar Item 20: "Increase the following budget categories
17 to provide for 66 oil wells and 12 injection wells" -- from
18 \$4 million to \$12 million.

19 MR. HORTIG: It had originally been contemplated
20 that there would be a drilling schedule which would require
21 the expenditure of the \$4 million. It is now apparent that
22 with respect to the location of Island "D" -- which is the
23 most seaward island, which cannot constitute a visual or a
24 noise nuisance -- that the drilling development of that island
25 can be expanded; that the operation can be completed sooner
26 and, therefore, oil will be produced sooner, the State get the

1 money sooner, and the operator recover his investment sooner.
2 So it is recommended that the ability to do this be authorized
3 by expanding the current budget.

4 MR. FLOURNOY: Is there any objection to approve
5 this modification? (No response) Without objection, it will
6 be approved. (e)?

7 MR. HORTIG: On the easterly end of the Long Beach
8 operation there is an area of upland under lease to Mobil Oil
9 Corporation and some to the City of Long Beach; and then off-
10 shore there are the tide and submerged lands granted to the
11 City of Long Beach.

12 Rather than have a competitive operation, where every
13 operator drills as many wells as he can on his own property,
14 it is recommended (and can be authorized by the Lands Commis-
15 sion pursuant to statute) that cooperative agreements be enter-
16 ed into, under which the total reservoir unit is operated co-
17 operatively rather than competitively, to the economic advan-
18 tage of all concerned -- and certainly of benefit to the
19 development of the reservoir.

20 MR. FLOURNOY: Is there any objection to the approval
21 of item (e) as set forth in the agenda? (No response) No
22 objection, so ordered.

23 Number 8 -- Land sales.

24 MR. HORTIG: The Department of Public Works, Divi-
25 sion of Highways, has made application to purchase 4.97 acres
26 State school land in San Bernardino County, required in

1 connection with a freeway project.

2 The vacant school lands having been granted by Con-
3 gress in aid of education with a trust condition that the
4 proceeds from the lands always be in aid of education, these
5 lands if transferred to another agency for a non-trust use
6 must be compensated for at full market value.

7 It is recommended that this sale be authorized at
8 the appraised price without competitive bidding, inasmuch as
9 this is a State agency and there would be no advantage to hav-
10 ing private competitors bidding against the State agency to
11 acquire these lands.

12 MR. FLOURNOY: Is there any objection to authorizing
13 the sale as indicated in 8(a)? (No response) Without objec-
14 tion, so ordered.

15 Number 9 -- Administration.

16 MR. HORTIG: 9(a): We apologize to Phillips Petro-
17 leum Company. We had a deposit in our books that should have
18 been refunded to them. Instead, we sent it to the State
19 Treasury and once it gets into the State Treasury, you just
20 don't get your money back without filing a claim with the
21 Board of Control and hope that the Board of Control approves
22 it. So we are recommending that we be authorized to file a
23 claim with the State Board of Control by which, if approved
24 and finally adopted and funded by the Legislature, Phillips
25 Petroleum can look forward to getting their money back --
26 maybe a year from now.

1 MR. FLOURNOY: Is there any objection to so proceed-
2 ing on that item? (No response) If not, so ordered. 9(b)?

3 MR. HORTIG: Trespass was discovered in which the
4 landowner of land adjoining Steamboat Slough had filled a low
5 area of his land with material removed from the Sacramento
6 River, which is technically minerals of the State of California;
7 and he has offered to settle the claim without any altercation
8 or litigation at what is a reasonable going rate of ten cents
9 a cubic yard for the material; and we recommend the acceptance
10 of the settlement.

11 MR. FLOURNOY: Is there any objection to accepting
12 the settlement? (No response) Without objection, so ordered
13 on 9(b). 9(c).

14 MR. HORTIG: Item (c), Pacific Gas and Electric
15 Company, relates to a parcel of land on which title is in con-
16 test, specifically between the State of California and Leslie
17 Salt Company, has been for a number of years, is still under
18 review.

19 In the meantime, Pacific Gas and Electric Company
20 had to proceed with a project, so they did it under a stipu-
21 lation and rental agreement with State Lands Commission, pay-
22 ing the Lands Commission rental for the property until such
23 time as title is clarified and the correct landowner has been
24 designated. The time has run out on that stipulation and
25 Pacific Gas and Electric desires a two-year extension, hoping
26 that the title situation will be clarified in that time.

1 MR. FLOURNOY: Is there any objection to execut-
2 ing this agreement? (No response) No objection, so ordered.
3 (d).

4 MR. HORTIG: As you gentlemen have been made aware,
5 San Francisco Bay Conservation and Development Commission,
6 created by the Statutes of 1965, provides among its other mem-
7 bers for "a" member of the State Lands Commission, designated
8 by the State Lands Commission to consider the regional planning
9 problems, and it is charged with the obligations under the
10 Bay Conservation and Development Act.

11 The Act also provides for the designated member to
12 designate a proxy member to attend and vote in his stead if
13 it is infeasible for the Lands Commission member to attend.

14 GOV. FINCH: I think it is only appropriate that
15 our new Chairman be the representative.

16 MR. FLOURNOY: I need a motion.

17 MR. SMITH: I move that the Chairman be designated
18 a member of the San Francisco Bay Conservation and Development
19 Commission.

20 GOV. FINCH: With the Executive Officer to serve as
21 proxy.

22 MR. FLOURNOY: So approved, without objection.

23 What about item 10?

24 MR. HORTIG: It is the cataloging of major litiga-
25 tion, on which there is readable information for your records
26 and files -- nothing specific to be reported, but to alert you

1 gentlemen as to the breadth and scope of the major litigation
2 which the State Lands Commission finds itself involved in --
3 most generally as defendant.

4 MR. FLOURNOY: Is there anything further to come
5 before the State Lands Commission at this time?

6 MR. SMITH: Mr. Chairman, just one point: I am
7 wondering whether or not it would be feasible for the Execu-
8 tive Officer to develop for us a schedule of the existing
9 price structure for all permits and leases -- not of the
10 individual leases, but of the price structure. On these
11 exploration permits dealing with 1921 figures and the equit-
12 ableness to all concerned, I wonder why they have not been
13 revised since 1921?

14 MR. HORTIG: Because of the statutory provisions
15 and despite studies by various legislative committees, these
16 never resulted in an amendment to the statutes with respect
17 to minerals other than oil and gas. It has always wound up
18 almost exclusively with revisions with respect to the more
19 productive element -- oil and gas.

20 MR. FLOURNOY: Gordon, would it perhaps be a more
21 useful way to proceed, rather than going into each one of
22 these aspects, to provide us with a list of the various
23 schedules and the dates when they were enacted, and comments
24 on those that seem to have been enacted a long time?

25 MR. HORTIG: These schedules already exist.

26 MR. FLOURNOY: I'd like a comment, with the date,

1 so we have a summary as to when these various schedules were
2 enacted and we can address ourselves to those that have been
3 in effect an inordinately long time, so we can go into those.

4 Is there anything further? If not, we will adjourn
5 this meeting subject to the call for the next meeting on the
6 budget matter.

7 MR. HORTIG: Might we consider the next regular
8 meeting on February 23rd?

9 MR. FLOURNOY: I would move that the next meeting
10 be on February 23rd, ten a.m. at Sacramento, at -- here?

11 MR. HORTIG: Most probably in this room, depending
12 upon the needs of the Assembly.

13 MR. FLOURNOY: Right. We will do that, and subject
14 to the call for the next meeting on the budget matter.

15 MR. HORTIG: Thank you, gentlemen.

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ADJOURNED 12:00 NOON

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CERTIFICATE OF REPORTER

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2
3 I, LOUISE H. LILICO, reporter for the Office of
4 Administrative Procedure, hereby certify that the foregoing
5 thirty-one pages contain a full, true and accurate transcript
6 of the shorthand notes taken by me in the meeting of the
7 STATE LANDS COMMISSION at Sacramento, California, on
8 January 24, 1967.

9 Dated: Los Angeles, California, January 27, 1967.

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11 Louise H. Lilico
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