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TRANSCRIPT OF
MEETING OF
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA

March 10, 1958 ---- 10:00 a.m.

PARTICIPANTS

THE COMMISSION:

Messrs. John M. Peirce, Chairman
Harold J. Powers
Robert C. Kirkwood

STATE LANDS DIVISION

Mr. F. J. Hortig, Executive Officer
Mr. Kenneth C. Smith, Supervising Land Title Abstractor
Mrs. Julia T. Stahl, Secretary

OFFICE OF THE ATTORNEY GENERAL

Mr. Howard S. Goldin, Deputy Attorney General

GUESTS:

Senator Richard Richards
Assemblyman Richard T. Hanna

APPEARANCES:

Mr. Harold A. Lingle, City Attorney
City of Long Beach

Reporter:

Louise H. Lillico

Division of Administrative Procedure

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1 MR. PEIRCE: The meeting will come to order. I want
2 to take recognition of the presence of Senator Richards.
3 We are glad to have you here, Senator, and to have your
4 participation in that portion of the agenda in which you
5 are especially interested.

6 The first order of business is the confirmation of
7 the minutes of the meeting which took place in Los Angeles
8 February 11th. Copies have been mailed to members of the
9 Commission. Any corrections?

10 GOV. POWERS: Is there any?

11 MR. KIRKWOOD: No.

12 GOV. POWERS: If not, I move that they be approved
13 as written.

14 MR. PEIRCE: The minutes will stand approved as writ-
15 ten. So will be the order. Do you want to discuss the
16 matter of the next meeting, Mr. Hortig?

17 MR. HORTIG: Mr. Chairman, this is as yet indefinite
18 for recommendation to the Commission as such, in that at a
19 staff review of oil and gas leasing policy held approxi-
20 mately February 26 and 27, which was attended by Mr. Kirk-
21 wood and at which time Governor Powers was out of State on
22 official business and you were not available (so we
23 understood), it became apparent that considerable time and
24 effort should and would have to be devoted to a review of
25 the matters which were there discussed, in order that a
26 proper recommendation may be made to the Commission at a

1 meeting to consider oil and gas leasing policy; such recom-
2 mendation to be based both on staff consideration of
3 appropriate lease terms and conditions and also reviewed by
4 the Attorney General's office as to legal sufficiency and
5 compliance with the statutes. The Attorney General not
6 having had opportunity to review the transcript of the
7 hearings on February 26 and 27 -- these are just being
8 submitted to the Attorney General -- the date of setting
9 the next meeting for the Lands Commission, either for that
10 purpose or the next regular meeting for a full agenda,
11 necessarily is still very tentative and will be reviewed
12 with you gentlemen as soon as it can be determined when
13 the review and approved material can be obtained from the
14 office of the Attorney General.

15 MR. PEIRCE: When the Attorney General's report is
16 completed and his advice concerning the proposed lease form
17 is received by the Commission, is it contemplated that the
18 two consultants whom we retained will again meet with us
19 for further advice with respect to the matter?

20 MR. HORTIG: Hopefully for final advice, yes.

21 MR. PEIRCE: For final advice .. and you believe that
22 we will receive this report from the Attorney General's
23 office later this month?

24 MR. HORTIG: We are striving for that.

25 MR. PEIRCE: At that time a meeting of the Commission
26 will be arranged, a special meeting, and we will make our

1 decision with respect to what steps should be taken.

2 MR. HORTIG: That is the program.

3 MR. PEIRCE: Are there any questions?

4 MR. KIRKWOOD: As I understand it, John, once the
5 A. G.'s material is received, then Frank will have every-
6 thing in his hands with which to make his recommendation to
7 us and that will take him a little time after that, and he
8 will have a formal recommendation which will be a calendar
9 item. Is that it in effect, Frank?

10 MR. HORTIG: I have a hopeful modification, Mr.
11 Kirkwood, to this extent, that we are reducing what are
12 the staff recommendations as they now exist to terms and
13 conditions in the proposed lease form, which will be the
14 one submitted to the Attorney General's office -- so that
15 recommendations to the Commission, preparation of final
16 recommendations to the Commission, should only necessitate
17 inclusion of such modifications as may be recommended by
18 the Attorney General on legal bases. We are attempting to
19 run these things concurrently, in order to make the rather
20 close time schedule which we have set ourselves.

21 MR. PEIRCE: I want to take recognition of the
22 arrival of Assemblyman Richard Hanna. We are very glad to
23 have you here and feel free to participate in our discussion
24 to whatever extent you may desire, Mr. Hanna.

25 MR. HANNA: Thank you.

26 MR. PEIRCE: Now, Mr. Hortig, in what order do you

1 desire to handle the agenda today?

2 MR. HORTIG: If the Chairman please, in keeping with
3 normal procedure heretofore for the State Lands Commission
4 of considering items in an order which will best serve the
5 personal appearances and the number of people attending
6 with respect to specific items, it would appear well to
7 consider first the item appearing on page 1 of the calendar.

8 MR. PEIRCE: Page 1 on the agenda.

9 MR. HORTIG: As the Commission will recall, on
10 October 8, 1957 the proposed adoption of new sections for
11 the rules and regulations relating to bid disclosures and
12 administrative procedures in taking of bids was re-referred
13 to the staff for further consideration. The form of these
14 proposed additions, as published pursuant to the require-
15 ments of the Government Code, is attached as Exhibit A
16 hereto. Further, in the reconsideration the proposed
17 rules and regulations were reviewed with the office of the
18 Attorney General and with all interested oil and gas
19 industry organizations. This resulted in an informal
20 opinion of the office of the Attorney General, which in-
21 formal opinion is attached also as Exhibit B of this
22 calendar item. The conclusions in this opinion are
23 repeated here:

24 "(1) As to proposed Section 1913, this section is
25 ready for Commission action. There is one modification
26 suggested by counsel for the Texas Company, which

1 modification is legally unobjectionable, but is purely a
2 matter for the Commission's discretion."

3 Our own comment there is that the modification sug-
4 gested consists of an addition to the third paragraph of
5 Section 1913 to allow an attorney-in-fact or agent author-
6 ized to enter into contracts to execute bid proposals, in
7 addition to the previously suggested authorization for
8 bid execution, an officer or officers of the corporation
9 authorized to enter into contracts for the corporation.

10 Turning to the conclusions of the informal opinion:

11 "That portion of the proposed Rule 1913 relating to
12 the disclosure of contractual relationships is controver-
13 sial. Whereas we believe that the adoption of the proposed
14 rule in its published form would be legally proper and
15 defensible, we have suggested that the fourth paragraph of
16 Section 1913 be rewritten for purposes of clarification.
17 However, we recognize that it is within the discretion of
18 the Commission to require disclosure of the identities of
19 all persons or entities participating in management, opera-
20 tion or control under the joint bid, together with those
21 having any financial interest in the joint bid."

22 The revised language relating to the disclosure of
23 contractual relationships detailed in the proposed Section
24 1913 is as follows:

25 "All persons, firms, or corporations who will partici-
26 pate in management, operation or control under the joint

1 bid shall be specified in the bid. Others need not be
2 specified.

3 (2) The proposed Section 1914 also is ready for
4 Commission action. As published, the section is consistent
5 with our evaluation of the law. Whether it is necessary
6 is a policy determination for the Commission. Our opinion
7 is that it is mere surplusage.

8 (3) The proposed Section 1915 is ready for Commission
9 action and apparently no opposition has been voiced there-
10 to. The statutory formalities have been followed and this
11 rule is consistent with law."

12 It is the staff recommendation that the Commission
13 adopt a resolution in the form set forth -- which, in
14 summary, recommends that Section 1913 be adopted in
15 revised, clarified form as suggested by the office of the
16 Attorney General; that Section 1914 not be adopted because
17 it would be surplusage; and that Section 1915 be adopted
18 as drafted. I believe there may be some discussion, Mr.
19 Chairman.

20 MR. PEIRCE: Is there a representative of the Texas
21 Company present who desires to speak with respect to the
22 modification of the language in this proposed regulation?
23 (No response) Have you any written communication from the
24 company urging the adoption of this verbiage which you
25 consider surplusage?

26 MR. HORTIG: No sir. I believe we need clarification

1 there, Mr. Chairman. We have written communication from
 2 the Texas Company suggesting the addition of the language
 3 relating to attorneys-in-fact or agents authorized to enter
 4 into a bid proposal, which will be an addition to Section
 5 1913, which is recommended both by staff and is found un-
 6 objectionable by the office of the Attorney General.

7 The surplusage consists of proposed Rule 1914, not
 8 Rule 1913, sir.

9 MR. KIRKWOOD: What was 1914?

10 MR. HORTIG: 1914 related to declaration of forfeit-
 11 ures and the problem -- which can be amplified by the
 12 Attorney General's representative if the Commission so
 13 desires -- was that the proposed rule as originally drafted
 14 was felt not to be in accord with the provisions of the
 15 statute; and when the rule was amended to be in accord with
 16 the provisions of the statute, it resulted in a simple re-
 17 statement of what is already in the statute.

18 MR. PEIRCE: We have before us the recommendation of
 19 the staff. Is there anyone present who desires to be heard
 20 with respect to this matter before the Commission takes
 21 action thereon. (No response).

22 GOV. POWERS: I move we accept the recommendation,
 23 Mr. Chairman.

24 MR. KIRKWOOD: I'd second that.

25 MR. PEIRCE: Motion has been made and seconded that
 26 the recommendation of the staff be approved and so will be

1 the order. Next item, Mr. Hortig?

2 MR. HORTIG: Mr. Chairman, would you inquire whether
3 a Mr. Walter Reese or representative is present?

4 MR. PEIRCE: Mr. Walter Reese or anyone representing
5 him? (No response) Apparently not.

6 MR. HORTIG: Then it is suggested that the Commission
7 refer to page 34 of the calendar. If I may summarize for
8 the Commission, the items appearing on pages 34 through 41
9 of the calendar all relate to requests for approval of
10 additional costs to be expended in conjunction with sub-
11 sidence projects, to be expended by the City of Long Beach
12 in the continued operation or completion of projects which
13 the Commission has already heretofore approved on a fiscal
14 year basis. These additional costs have been made necess-
15 ary, first, by storm damage to subsidized facilities, also
16 due to the fact that previously approved estimated costs
17 were exceeded by actual contract bids when contract bids
18 were received, or that augmented facilities have to be
19 installed in order to accomplish the originally intended
20 subsidence protection.

21 Therefore, it is suggested that the Commission may
22 wish to consider the group of calendar items relating to
23 Work Orders 10,026, 10,028, 10,031, and 10,032 as a group,
24 inasmuch as they are all in the same form for proposal to
25 authorize expenditures to cover additional costs under
26 projects heretofore authorized by the Commission; these

1 approvals to be subject to the standard reservation condi-
 2 tions of the Commission -- that the amounts to be allowed
 3 ultimately as subsidence costs deductible pursuant to
 4 Chapter 29 of the Statutes of 1956 will be determined by
 5 the Commission upon engineering review and final audit
 6 subsequent to the time when the work under any of these
 7 items is completed.

8 MR. PEIRCE: These items conform with the policy
 9 previously adopted by the Commission with respect to sub-
 10 sidence expenditures?

11 MR. HORTIG: Yes sir, and relate solely to projects
 12 heretofore approved by the Commission for operation up to
 13 June 30, 1958.

14 MR. PEIRCE: There is no controversy with respect to
 15 these items?

16 MR. HORTIG: No sir.

17 MR. PEIRCE: Mr. Lingle, they meet with your approval?

18 MR. LINGLE: Yes sir, they do.

19 MR. KIRKWOOD: Move the approval.

20 GOV. POWERS: Yes, I would second.

21 MR. PEIRCE: Moved and seconded that the recommenda-
 22 tion of the staff be approved and so will be the order.

23 MR. KIRKWOOD: Are any of these moving toward the
 24 day, Frank, when we make a final determination?

25 MR. HORTIG: Yes, they certainly are moving toward
 26 the day with respect to some of the prior approvals in

1 specific areas and specific sub-projects, where the work
2 has been completed. These projects are under review for
3 this final closing, depending upon agreement on the engi-
4 neering review and final audit. These have been a matter
5 of extensive conferences between the staff, Lands' staff,
6 the City of Long Beach, and the Harbor Department of Long
7 Beach. In general, there has been agreement. There are
8 some basic phases that have stopped final and complete
9 determination as yet, which require some further legal
10 opinions, that thread through the entire nature of the
11 operation; but these are also being worked on and in the
12 reasonably near future it is anticipated that the first
13 of the projects that has been completed will have had
14 final approval and been closed out -- which will certainly
15 set the precedent for the balance of these operations.

16 GOV. POWERS: We have legislation coming up on it
17 also.

18 MR. HORTIG: Page 42, gentlemen. The Commission has
19 heretofore authorized on a monthly basis the conduct of
20 a subsidence remedial project by the City of Long Beach
21 titled "Town Lot Project". This project has not been
22 processed sufficiently heretofore to be proposed in its
23 entirety for approval as a project to be conducted on a
24 fiscal year basis. This is still the category of this
25 project and, therefore, the Long Beach Harbor Department
26 has again submitted a request for current expenditures for

1 property purchase, building removal, earth fill contract
2 costs, pontoon bridge east approach construction, and the
3 necessary force account costs associated with these items.

4 It is recommended that the Commission conditionally
5 approve the Town Lot area project as a subsidence project
6 and the costs proposed to be expended therefor for property
7 purchase, building removal, earth fill, pontoon bridge east
8 approach construction, and force accounts associated with
9 this construction, as shown on Exhibit A attached; subject
10 to the condition, however, that the amount to be allowable
11 ultimately as subsidence costs deductible under Section 5(a)
12 of Chapter 29, Statutes of 1956, First Extra Session, will
13 be determined upon an engineering review and final audit
14 subsequent to the time when work has been completed; also
15 no estimate shall be presently made of the amount of subsid-
16 ence deduction ultimately to be allowed by virtue of said
17 acquisitions and said work; further, the City of Long Beach
18 is not authorized to withhold any portion of the cost of
19 the Town Lot Project until Commission approval has been had;
20 and, finally, that the staff be authorized to execute appro-
21 priate written instruments reflecting the Commission's
22 conditional approval.

23 MR. KIRKWOOD: This is the same as we did last month?

24 MR. HORTIG: This is the same as has been done by the
25 Commission since September 1957 on a monthly basis.

26 MR. POWERS: Moved.

1 MR. PEIRCE: Moved and seconded that the recommenda-
2 tion be approved and so will be the order.

3 MR. HORTIG: Page 44. By Supplementary Decree and
4 Order of the Superior Court of the State of California
5 dated June 6, 1957, it was ordered, adjudged and decreed
6 that the State Lands Commission may lawfully approve sub-
7 sidence expenditures disbursed by the City of Long Beach
8 from April 1, 1956 through July 5, 1956 so as to qualify
9 the same as subsidence costs within the meaning of Section
10 1(f) of Chapter 29 of the Statutes of 1956, First Extra
11 Session.

12 On February 3, 1958, the Port of Long Beach requested
13 approval of costs, including subsidence costs, of work done
14 in the period April 1, 1956 to July 5, 1956 within the Long
15 Beach Harbor District. The projects have received initial
16 staff review and are considered to contain some subsidence
17 costs as defined in the statutes, but not necessarily all
18 those costs as estimated by the Port of Long Beach.

19 After this initial review by the staff, disagreement
20 exists with Long Beach Harbor Department on the degree of
21 subsidence costs contained in the work contained in the
22 Town Lot Project. This is the same project which you
23 gentlemen just approved conditionally for one month in the
24 preceding calendar item. Pending receipt of review by the
25 staff of additional background material on this project,
26 procedures have been followed by the State Lands Commission

1 on monthly approvals subsequent to July 1957, whereby no
2 estimate is presently made as to the amount of subsidence
3 deduction, and no deduction can be made by the City of
4 Long Beach until Commission approval has been had. Such
5 procedure is also suggested in the following recommendation:

6 Therefore, it is recommended that the Commission con-
7 ditionally approve the costs expended by the City of Long
8 Beach including subsidence remedial work under projects as
9 indicated in Exhibit A attached and hereby made a part
10 hereof, for the period April 1, 1956 to July 5, 1956, sub-
11 ject to the standard conditional reservations in approvals
12 by the State Lands Commission for projects of this type;
13 and also subject to the conditions pertaining peculiarly
14 to the Town Lot Project, that no estimate shall be made
15 presently of the amount of subsidence deduction ultimately
16 to be allowed by virtue of said property acquisition and
17 said work, and the City of Long Beach is not authorized to
18 withhold from revenues due the State any portion of the
19 costs of the Town Lot Project until Commission approval has
20 been had.

21 MR. KIRKWOOD: Is this something that Bruce Allen
22 has reviewed, or has he been interested in this at all?
23 This does affect -- of course, it is ordered by the Court,
24 as I understand it -- but it does affect the amount of
25 money received by the State?

26 MR. HORTIG: That is correct, but of course

1 MR. KIRKWOOD: It goes against the first thirty
2 million, or whatever it was, subsidence.

3 MR. HORTIG: The total ultimately allowed on subsidence
4 costs will be accumulated and hasten the day when there is
5 a transition -- where there is 25% to 50% subsidence; but
6 the actual and specific amounts to be so allowed are still
7 subject to review and final determination.

8 MR. PEIRCE: Any further questions? Any comment,
9 Mr. Lingle?

10 MR. LINGLE: No sir.

11 MR. KIRKWOOD: No question about this at this point,
12 being what the State has to do, is there?

13 MR. HORTIG: No sir. I believe that is correct,
14 Mr. Goldin?

15 MR. GOLDIN: It is.

16 MR. KIRKWOOD: O.K.

17 GOV. POWERS: Yes, that's all right.

18 MR. PEIRCE: All right. The recommendation is
19 approved.

20 MR. HORTIG: If you gentlemen will refer to page 54,
21 which is a supplemental item on the calendar

22 MR. KIRKWOOD: Is this the one you dropped off this
23 morning?

24 MR. HORTIG: Yes sir. On February 11, the City of
25 Long Beach presented a request for approval of the expendi-
26 ture of \$40,000 from tideland trust funds for the purpose

1 of financing City expenditures in connection with a sub-
 2 sidence control program. This request was referred to the
 3 staff for review and to the office of the Attorney General
 4 for consideration as to qualification for approval under
 5 the authority of Chapter 29, Statutes of 1956. From
 6 these reviews, it appears that there is a general necessity
 7 for the administrative activities proposed by the City of
 8 Long Beach in the subsidence control program precedent to
 9 initiation of pressure maintenance or secondary recovery
 10 operations in the Wilmington Oil Field, which may alleviate
 11 or tend to alleviate land surface subsidence.

12 On this basis, the Commission may give conditional
 13 approval subject to subsequent review to determine what
 14 portion, if any, of such expenditures for administrative
 15 purposes may be properly considered as subsidence costs.

16 Since this item was calendered and since review dis-
 17 cussion of the bases for this conditional approval were
 18 completed with the Attorney General's office, it has come
 19 to our attention that there may be alleged to be a problem
 20 as to the basic authority for the establishment of this
 21 particular program by the City of Long Beach; and, there-
 22 fore, it is desired at this time to modify the recommenda-
 23 tion as it appears, to add, in addition to the conditional
 24 approval of the Commission for expenditures proposed by
 25 the City of Long Beach including subsidence remedial work
 26 for the purpose of financing City administrative expenses

1 in the conduct of the subsidence control program in an amount
2 not to exceed \$40,000 for the period ending June 30, 1958,
3 subject to the condition that the amounts to be allowed
4 ultimately as subsidence costs will be determined by the
5 Commission upon an engineering review and final audit --
6 it is desired to add to the recommendation the additional
7 condition: On satisfactory demonstration by the City of
8 Long Beach as to the authority for and the proper authoriza-
9 tion for the establishment of the basic subsidence study
10 project, this showing by the City of Long Beach to be
11 reviewed with the office of the Attorney General as to com-
12 pliance with the provisions of Chapter 29.

13 MR. KIRKWOOD: Administrative expenditures are a part
14 of each of these approvals that we give, Frank?

15 MR. HORTIG: I didn't hear.

16 MR. KIRKWOOD: Are there administrative expenditures
17 in all of these items that we have had so far? This isn't
18 a new

19 MR. HORTIG: Yes, sir. It is new in the approach
20 only in this sense -- not as to ultimate purpose, but all
21 the approvals heretofore given by the Commission that
22 related to administrative expenses were in the final
23 analysis to the Board of Harbor Commissioners for opera-
24 tions being conducted specifically within the area under
25 their purview. This program contemplates an additional,
26 an entire separate study operation being undertaken by the

1 City of Long Beach, separate and distinct from the opera-
2 tions heretofore approved and conducted by the Board of
3 Harbor Commissioners.

4 MR. PEIRCE: How does this recommendation come about?
5 We have previously approved administrative expenditures as
6 a part of the regular projects.

7 MR. HORTIG: This project that has been developed and
8 is being undertaken is a new project, and a separate and
9 distinct project, under the direction of the City Manager
10 of the City of Long Beach, and it is through his directive
11 and his request that this program is before the Commission,
12 entirely separate from any of the prior applications and
13 approvals which related to requests of the Board of Harbor
14 Commissioners of the City of Long Beach.

15 MR. PEIRCE: In other words, the difference is the
16 administrative agency involved.

17 MR. HORTIG: That is correct.

18 MR. KIRKWOOD: Well, is there a duplication of
19 administrative agencies -- or of effort?

20 MR. HORTIG: Depending upon the actual direction and
21 the actual scope of the project, there could ultimately be
22 a duplication in my opinion, yes.

23 MR. KIRKWOOD: What is our responsibility on that?

24 MR. HORTIG: This is the reason for the staff recommen-
25 dation for a conditional approval to cover only such expendi-
26 tures as truly relate ultimately to subsidence, and to

1 subsidence projects not actually approved and already
2 authorized to be paid for under Harbor Department opera-
3 tions.

4 MR. PEIRCE: Does this have anything to do with
5 legislation now pending before the State Legislature?

6 MR. HORTIG: In the sense that material to be
7 developed by this study could be of assistance in connec-
8 tion with the presentation of the legislation and with
9 certain phases of operations which the City of Long Beach
10 would be authorized to undertake. If legislation currently
11 being considered is adopted, such operations could be
12 administered under this subsidence control agency here
13 proposed to be established by the City of Long Beach.
14 They certainly can be interrelated.

15 MR. PEIRCE: Mr. Lingle, have you any comment at this
16 time?

17 MR. LINGLE: I am not prepared on administrative
18 aspects of it at this time. The only thing I would
19 request is that so that we can give you a proper answer,
20 if the staff could specifically ask the questions they
21 want, so that we could attempt to come up with as straight
22 an answer for you as possible on that.

23 MR. HORTIG: I might explain, Mr. Chairman, the
24 reason for the supplemental conditional approval recommenda-
25 tion this morning -- Rather than what would appear to be
26 the more direct procedure, to request the City Attorney's

1 office for a statement of clarification, explanation and
 2 basis for authority of this project and withhold action
 3 on this project, the problem that has developed there is
 4 that the City is proceeding with the actual subsidence
 5 control study program. They have established a staff.
 6 They will be incurring costs. Therefore, unless there is
 7 conditional approval today by the Lands Commission, if
 8 it should ultimately be determined that such costs would
 9 have been allowable, then the City would lose such credit
 10 for such expenditures as are made between today and the
 11 date of later determination of approval by the Lands Com-
 12 mission.

13 MR. PEIRCE: And you recommend the adoption of this
 14 recommendation as modified?

15 MR. HORTIG: Yes sir.

16 MR. PEIRCE: Mr. Goldin, do you have any comment?

17 MR. GOLDIN: Only this, Mr. Chairman -- that for the
 18 Commission to give this conditional approval, it is necess-
 19 ary that the Commission must concede the general necessity
 20 for these administrative activities in order to remedy or
 21 prevent subsidence. As a practical matter, neither the
 22 Commission's staff nor the Attorney General's office has
 23 been furnished with any particulars concerning the nature
 24 of the proposed administrative costs relating to subsidence
 25 control, so that in approving or in conceding the Commis-
 26 sion's power to give this conditional approval, our office

1 for the purpose of reaching that conclusion assumed the
2 necessity for and the reasonableness of the administrative
3 activities to remedy or prevent subsidence.

4 MR. PEIRCE: You would have no objection to our
5 adopting this recommendation at this time?

6 MR. GOLDIN: No, Mr. Chairman, and I furnished to
7 the Executive Officer of this Commission a written state-
8 ment to that effect.

9 MR. PEIRCE: Any question, gentlemen?

10 MR. HANNA: Mr. Peirce ...

11 MR. PEIRCE: Yes, Mr. Hanna.

12 MR. HANNA: May I ask Mr. Goldin if he would clarify
13 a little more that point as to legality. If I get it
14 right, the activity which is being carried now under the
15 City administration, is there some question as to whether
16 they have the power to set up the type of

17 MR. GOLDIN: Mr. Hanna, I don't believe the question
18 relates to the power of the City to create this administra-
19 tive office. The question relates as to whether, in fact,
20 the City has created such an office pursuant to the pro-
21 visions of law. It may be, Mr. Hanna, that the creation
22 of such an office might require an action by the City
23 Council of Long Beach and to my knowledge I know of no
24 such action having been taken to date. Mr. Lingle might
25 have more information in that regard than I do. Are you
26 aware of any City Council action?

1 MR. LINGLE: No, I am not aware of any action by the
2 City Council. I am not researched on the problem at all,
3 and I would say that if it is possible for us to retain
4 this conditional approval, then we would be happy to go
5 ahead and research whatever problems you may have on it;
6 but I am not prepared to cite you any charter provisions
7 or anything else at this point as to our opinion as to the
8 authority.

9 MR. GOLDIN: Mr. Lingle, I take it, then, that you
10 are neither satisfied nor dissatisfied that this particular
11 administration office has been created pursuant to the law.

12 MR. LINGLE: Well, I am going on the assumption that
13 it has been created subject to law, but I certainly would
14 be happy to review it. I am not going to take an adamant
15 policy that you have got to go along and do it all the way,
16 that there can't be any question. I am assuming the City
17 has done it correctly, but if there is a question we would
18 be happy to satisfy your question if possible.

19 MR. PEIRCE: Any further questions?

20 MR. HANNA: Would the position of the City of Long
21 Beach be any different after some of these things have been
22 clarified than it is right now if the Commission failed to
23 give a conditional approval?

24 MR. LINGLE: I believe Mr. Goldin and I are in agree-
25 ment there, that if we don't have prior approval, don't
26 get some kind of prior approval -- for instance, the money

1 that could have been given as conditionally approved, if
2 we are later able to satisfy them, then we are able to
3 effecc it. If we don't get some sort of approval, we are
4 going on the assumption that that money is over the dam --
5 we can't recover it. I would be anxious to have some sort
6 of approval or conditional approval at this time.

7 MR. GOLDIN: Mr. Hanna, I believe Mr. Lingle is referring
8 to Chapter 29, 1(f) of the Statutes of 1956, First Extra
9 Session, which requires that.

10 MR. PEIRCE: Any further questions? Are the members
11 of the Commission ready to vote on this recommendation as
12 modified?

13 MR. KIRKWOOD: I guess it is all right.

14 GOV. POWERS: I guess, yes.

15 MR. PEIRCE: The recommendation is approved.

16 MR. HORTIG: Page 10, gentlemen. The Commission has
17 previously granted Tidewater Oil Company a deferment of
18 drilling and operating requirements under Oil and Gas Lease
19 P.R.C. 1744 at Summerland in Santa Barbara County to
20 April 12, 1958, in order to permit the lessee to complete
21 arrangements which were then in process for the drilling of
22 a well under the leased area. A request has been received
23 from Tidewater Oil Company for an additional extension of
24 thirty days to commence operations under the lease, so
25 that negotiations that are still in process for the drilling
26 of the well may be completed and a well commenced or the

1 lease quitclaimed within this extension period.

2 It is recommended that the Commission authorize to
3 grant the Tidewater Oil Company a deferment of drilling
4 and operating requirements

5 MR. KIRKWOOD: Is that that difficulty of slant
6 drilling that's causing them the problem?

7 MR. HORTIG: Yes.

8 MR. KIRKWOOD: Do they themselves reasonably think
9 this thirty days will give them

10 MR. HORTIG: This, we are informed, is going to be
11 it, one way or the other. The land manager of Tidewater
12 is present if the Commission would like further details.

13 MR. KIRKWOOD: You are satisfied?

14 MR. HORTIG: We are satisfied. This is their request
15 and the staff recommends it.

16 MR. PEIRCE: You approve it?

17 GOV. POWERS: Yes.

18 MR. PEIRCE: The recommendation is approved.

19 MR. HORTIG: Mr. Chairman, I am under the impression
20 that this completes the review of all items on which there
21 may be personal appearances. If you care to ask whether
22 there are any further

23 MR. PEIRCE: Is there anyone present who is interested
24 in other agenda items? If you will so indicate, we will
25 take them out of order so as to accommodate you. (No
26 response) Apparently you may proceed with the agenda in

1 order, Mr. Hortig.

2 MR. HORTIG: Yes, Mr. Chairman. Page 11 ...

3 The Commission has heretofore authorized continuation of
 4 a lease issued for the purpose of extraction of sand and
 5 gravel from portions of San Francisco Bay, under which
 6 lease there again have been no activities for the lease
 7 year ending February 13, 1958. The lease itself requires
 8 an advance rental of \$900, which has been paid. There is
 9 also a specification of performance of minimum operations,
 10 consisting of 100 shifts of extraction operations, which
 11 it is calculated would amount to a payment of \$200 in
 12 royalty. Payment of this amount was submitted with the
 13 application for deferment of operations, to cover the
 14 State's royalty pursuant to the required minimum lease
 15 specification. The lessee is interested in continuation
 16 of this lease because of the prospect for future operations
 17 and there does not appear to be any advantage to the State
 18 in potentially cancelling this lease and returning to the
 19 State lands another piece of unoccupied land in San
 20 Francisco Bay.

21 It is recommended that the payment be accepted to
 22 cover the royalty due the State on the minimum extraction
 23 operations as specified in the lease and to grant a defer-
 24 ment of the operating requirements for the lease year
 25 ending February 13, 1958, all other terms, conditions and
 26 performance requirements under the subject lease to remain

1 unchanged.

2 MR. KIRKWOOD: Is that 10 tons figure right? That
3 doesn't sound right.

4 MR. HORTIG: Of sand, yes.

5 MR. KIRKWOOD: Ten tons per shift?

6 MR. HORTIG: No, in a hundred.

7 MR. KIRKWOOD: How much does a cubic yard of sand
8 weigh?

9 MR. HORTIG: The problem I can see in your calcula-
10 tion -- this is the net amount that would be removed.
11 There are also mud and sand of various grades which are
12 returned and not finally removed, and the net result of
13 a 100-shift operation achieving a commercial grade of sand
14 reduces to this 6,667 cubic yards.

15 MR. KIRKWOOD: O.K., but it doesn't make sense to me.

16 MR. HORTIG: I am also hesitant on the 10 tons --
17 6,667 cubic yards is the figure we started from. We will
18 review that and give you a report.

19 MR. PEIRCE: Is that O.K.?

20 GOV. POWERS: That's O.K.

21 MR. PEIRCE: The recommendation is approved.

22 MR. HORTIG: Page 12. On March 3rd, one bid was
23 received from San Diego Gas and Electric Company for a
24 mineral extraction lease on tide and submerged lands in
25 South San Diego Bay, westerly of the City of Chula Vista.
26 The purpose of the lease is to authorize dredging from

1 the proposed cooling water intake and discharge channels
2 adjacent to an electric generating plant now under con-
3 struction, and the deposit of such dredged materials on
4 lands owned by the San Diego Gas and Electric Company.

5 The bidder, San Diego Gas and Electric Company, offered
6 the minimum specified royalty of 3¢ per cubic yard for all
7 material extracted. It is recommended that the Commission
8 authorize the issuance of this extraction lease

9 MR. KIRKWOOD: Move.

10 MR. PEIRCE: O.K.?

11 GOV. POWERS: M--m--hm.

12 MR. PEIRCE: The recommendation is approved.

13 MR. HORTIG: Pages 14 and 15, gentlemen, can be
14 considered together. They consist of the problem of two
15 prospecting permits heretofore authorize. by the Commis-
16 sion for the statutory term of two years. The Public
17 Resources Code provides, in part, that the Commission may
18 in its discretion extend the term of any permit not exceed-
19 ing one year. The permittee under these two permits has
20 requested such an extension at no cost.

21 However, the permittee has failed to comply with the
22 conditions of the permit or to exercise due diligence in
23 the prosecution of the development work under these
24 respective prospecting permits; and, therefore, it is
25 recommended that the Commission authorize rejection of
26 the application for a one-year extension.

1 GOV. POWERS: I guess that's all right.

2 MR. PEIRCE: On both?

3 MR. HORTIG: On both -- pages 14 and 15.

4 MR. PEIRCE: O.K., Bob?

5 MR. HORTIG: The applicant was informed that this
6 recommendation would be presented to the Commission, that
7 he could either make a personal or written statement or
8 appearance relative thereto. He has not done so.

9 MR. KIRKWOOD: O.K.

10 MR. PEIRCE: The two recommendations are approved.

11 MR. HORTIG: Page 16. The Commission heretofore
12 authorized a lease -- Smith River, mouth of the Smith
13 River, Del Norte County -- in which a floating dock and
14 jetty were proposed to be constructed and to be completed
15 on or before May 30, 1957. Due to weather extremes, among
16 other things, the project completion date was heretofore
17 extended to February 28, 1958 and there has been reported
18 recent additional extensive storm damage to the almost
19 completed structure; and it is recommended that there be
20 granted an extension to February 28, 1959 in order to com-
21 plete the construction work.

22 MR. PEIRCE: O.K.?

23 MESSRS. POWERS and KIRKWOOD: Yes.

24 MR. PEIRCE: The recommendation is approved.

25 MR. HORTIG: Page 17. The Southern California Edison
26 Company has applied for a right-of-way easement for an

1 electric transmission line over properties in Los Angeles
2 County north of and adjoining an easement previously granted
3 to them. In connection with this application, there has
4 been a request for minor modification of the standard form
5 of easement, as normally issued by the State Lands Commis-
6 sion, to reflect the particular and peculiar nature of the
7 operation of an electric transmission line primarily, so
8 that there would be no basis for immediate re-entry and
9 repossession on the property, which is a standard condition
10 of a normal right-of-way easement, which appears to the
11 Edison Company to be excessive and they desire a modifica-
12 tion to provide for ninety days in which to remedy a breach
13 before the State can re-enter and repossess the demised
14 premises -- which does not appear unreasonable to the staff
15 nor to the office of the Attorney General.

16 Similarly, it is desired to provide restrictions as
17 to what types of structures may be placed on the right-of-
18 way underneath the transmission line, so that there can be
19 no difficulties in operation. Under the standard form of
20 right-of-way easement issued by the Commission, the State
21 reserves the right to dispose of or otherwise lease or
22 permit other operations on the right-of-way; and while these
23 are normally considered to be not incompatible with the use
24 of the primary lessee, the Edison Company feels that proper
25 protection is only achieved both with respect to the matter
26 of granting authorizations to remove minerals from the

1 right-of-way, as well as to erect structures, that there
2 be specifications of how those operations shall be con-
3 ducted; and the normal type of right-of-way easement,
4 which permits placement of project facilities or some other
5 type of construction, requires normally advance permission
6 from the State for any additions or substantial alterations;
7 and the Edison Company again feels that, in its type of
8 work and emergency replacement necessities contemplated for
9 the future, it might be desirable to have a basis for giving
10 a thirty-day notice to the State as to the desire to
11 modify its facilities rather than the advance permission
12 to be obtained from the State for additions or substantial
13 alterations. The right-of-way easement as written would
14 be restricted to the placement of an overhead electric
15 transmission line.

16 MR. PEIRCE: This is in the Angeles National Forest?

17 MR. HORTIG: Yes sir -- Monrovia Peak.

18 MR. PEIRCE: Monrovia Peak.

19 MR. KIRKWOOD: What we are issuing is a new right-
20 of-way easement, but with these modifications in the
21 standard

22 MR. HORTIG: That's the proposal, sir.

23 MR. KIRKWOOD: If that's here in the recommendation,
24 I move it.

25 GOV. POWERS: That's all right.

26 MR. PEIRCE: The recommendation is approved.

1 MR. HORTIG: Page 19. The Commission in 1953 issued
2 a fifteen-year lease of certain underwater tideland lots
3 covering approximately 441 acres in Marin County, in
4 anticipation that these lots were to be filled and further
5 commercial development undertaken thereon. Subsequently,
6 the lease was amended at increased rental to provide the
7 option to the holders of the lease to meet the high bid in
8 the event the State ever elected or was authorized to sell
9 these particular lots.

10 Request for additional amendment has now been received
11 to provide for an expanded basis of renewal, for the reason
12 that the present lessees have been unable to date to re-
13 ceive permission from adjoining property owners for the
14 reclamation project and such permission is a requirement
15 prior to issuance of the necessary permit by the Federal
16 government.

17 Inasmuch as there have been no recent inquiries in
18 connection with State lands in this vicinity and since the
19 adjoining property owners are evidently not yet interested
20 in a reclamation project, it appears to be in the best
21 interests of the State to grant an amendment of the lease
22 to the applicants. However, due to the continued develop-
23 ment in Marin County, it is suggested that the lease be
24 amended to fix the new increased rental at \$374 annually
25 for only the first renewal period provided in the lease,
26 and that the second and third ten-year renewals be on such

1 reasonable terms and conditions that the Commission might
2 impose and that this amendment only be granted on the basis
3 that the lessees will have undertaken and will have actu-
4 ally started to reclaim some of the leased lands within the
5 initial ten-year period or else the lease will not be
6 renewed.

7 MR. KIRKWOOD: These are all enforceable lease provi-
8 sions if we write them in there?

9 MR. HORTIG: Yes sir.

10 MESSRS. POWERS and KIRKWOOD: O. K.

11 MR. PEIRCE: Recommendation is approved.

12 MR. SMITH: Page 20. Sale of vacant school land --
13 forty acres in Siskiyou County. The lands were appraised
14 at \$55 per acre and a high bid of \$90.20 per acre was re-
15 ceived. The first applicant failed to meet the highest bid.
16 Therefore, it is recommended that the Commission find that
17 the forty acres in Siskiyou County is not suitable for
18 cultivation without artificial irrigation and authorize
19 the sale of said land to the highest bidder, Lowell N.
20 Jones, at a cash price of \$3,608, with the usual statutory
21 reservations.

22 MR. KIRKWOOD: O. K.

23 GOV. POWERS: That's O.K. \$90.00 an acre!

24 MR. PEIRCE: Recommendation is approved.

25 MR. SMITH: Page 21. Sale of vacant State school
26 land. It is recommended that the Commission authorize the

1 sale of vacant school lands for cash at the highest offer
2 in accordance with the following tabulations, such sales
3 to be subject to all statutory reservations including
4 minerals. There follows a tabulation of six separate
5 sales -- which are routine and non-controversial.

6 MR. KIRKWOOD: I move ..

7 GOV. POWERS: That's O.K.

8 MR. PEIRCE: The recommendation is approved.

9 MR. SMITH: Page 29. Sale of vacant Federal land,
10 involving eighty acres in Inyo County. It is recommended
11 that the Commission determine that it is to the advantage
12 of the State to select the eighty acres in Inyo County;
13 that the Commission find that said land is not suitable
14 for cultivation without artificial irrigation; that the
15 Commission approve the selection and authorize the sale
16 for cash to Searles Valley Development Company at the
17 appraised price of \$6,000, subject to all statutory reser-
18 vations including minerals.

19 GOV. POWERS: O. K. I'd move that.

20 MR. PEIRCE: Recommendation is approved.

21 MR. HORTIG: Page 30. Under the Statutes of 1957,
22 an additional area of tide and submerged lands fronting the
23 City of Coronado was granted to that city, consisting of
24 the additional area enclosed between two pierhead lines
25 previously established by the U. S. Army Corps of Engineers.
26 This area has been platted by the staff of the State Lands

1 Division in accordance with the requirements of the statute
2 and it is recommended that authorization be granted to
3 approve and have recorded the plat of the grant to the
4 City of Coronado in San Diego Bay, California, dated
5 January 1958.

6 MR. PEIRCE: This is merely correction of a boundary
7 line?

8 MR. HORTIG: Previously the limits of the area granted
9 to Coronado consisted of ... (sorry, unintelligible) The
10 Corps of Engineers drew a pier head line and the Legislature
11 granted to the City of Coronado this triangle and one condi-
12 tion of the grant is that the area be surveyed by the State
13 Lands Commission.

14 MR. PEIRCE: We have done so.

15 MR. HORTIG: We have done so and we are recommending
16 to the Commission that they approve what the staff has done
17 with respect to that.

18 MR. PEIRCE: We are, in effect, establishing that
19 boundary line?

20 MR. HORTIG: The boundary line was previously estab-
21 lished. We are showing on the map what the Legislature
22 previously granted to them.

23 GOV. POWERS: That's O.K.

24 MR. PEIRCE: O.K., Bob?

25 MR. KIRKWOOD: M-m-hm.

26 MR. PEIRCE: Recommendation is approved.

1 MR. HORTIG: Page 31. The Commission is familiar
2 with the Statutory amendments at the last session relating
3 to evaluation of tide and submerged lands where it is pro-
4 posed that such tide and submerged lands be annexed by a
5 city; and it is now proposed by the City of San Buena-
6 ventura to include approximately 182 acres of tide and sub-
7 merged lands adjoining the upland city limits as a base
8 for establishment of a sewage disposal plant; and from a
9 review of the area -- the location, potential utilization
10 of the tide and submerged lands proposed to be annexed --
11 it does not appear that there are any grounds for recom-
12 mending objection by the State Lands Commission to this
13 annexation.

14 Pursuant to the requirements of the Government Code,
15 the city has requested that the Commission fix the value
16 of the tide and submerged lands of the State and notify
17 the body of its determination. Appraisal of the 182 acres
18 has resulted in an estimated average value of \$220 per
19 acre for a total of \$40,000.

20 It is recommended the Commission authorize the
21 notification to the City Council of the City of San
22 Buenaventura and the Board of Supervisors of Ventura
23 County that the present value of the tide and submerged
24 lands proposed to be annexed under the city's Resolution
25 4789 has been fixed at \$40,000, pursuant to the provision
26 for such determination as specified in the Government Code.

1 MR. KIRKWOOD: This is all we have to do, Frank?

2 MR. HORTIG: Yes.

3 MR. KIRKWOOD: If we wanted to protest, we would
4 have to take other action?

5 MR. HORTIG: Yes.

6 MR. KIRKWOOD: What is this -- offshore from the
7 present city limits?

8 MR. HORTIG: It is adjacent to present upland city
9 limits.

10 MR. PEIRCE: It is for a proper municipal purpose.

11 MR. HORTIG: And it doesn't extend either up-coast
12 or down-coast to any degree.

13 MR. KIRKWOOD: They don't need any action by us
14 approving, as long as we are not protesting?

15 MR. HORTIG: This is analogous to an action taken
16 by the Commission previously in connection with the pro-
17 posed annexation of tidelands by the City of Richmond.

18 GOV. POWERS: O.K.

19 MR. PEIRCE: O.K., Bob?

20 MR. KIRKWOOD: M-m-mh.

21 MR. PEIRCE: The recommendation is approved.

22 MR. HORTIG: Page 32. The Commission may feel that
23 this is an extensive amount of paper to devote to this item,
24 but inasmuch as we have been at it some seven or eight
25 years to clear up an inconsequential item, the ability to
26 feel that we can clear it up takes considerable time to

1 revenue. There had been a grant of lease by the State
2 Lands Commission in Morro Bay. Subsequently, the Legis-
3 lature granted those lands to the County of San Luis
4 Obispo. The rentals that had been paid or were to
5 accumulate under the Lands Commission leases that were
6 terminated by the legislative grant were only partially
7 paid by the County of San Luis Obispo in view of prior
8 agreement that the County could withhold \$375 from payment
9 as stated in Minute Item 16 of the meeting of the Commis-
10 sion on June 21, 1946, appearing in the center of the
11 calendar page, on the basis that these costs would have to
12 be expended by the county in conducting a survey and that
13 these costs would not be collectible from adjoining property
14 owners in the county.

15 For many years, the county did not report whether or
16 not these amounts were ever collected or uncollectible and
17 the Commission's books have reflected an open charge
18 against the county in the amount of \$375. Finally, just
19 this last month, we succeeded in receiving from the
20 county surveyor a letter statement that he had been re-
21 quested by the Board of Supervisors to inform the Lands
22 Commission that a survey had been conducted at a cost in
23 excess of \$750, none of which was collected from the upland
24 owners, and that possibly this could now be the basis of
25 clearing the State Lands Commission's books of this charge.

26 It is recommended that the Commission accept the

1 statement of the surveyor and authorize the Executive
2 Officer to credit the county and close the Commission books.

3 MR. KIRKWOOD: O. K.

4 GOV. POWERS: Yes -- I know as much about it now
5 as I would

6 MR. HORTIG: Eight years of effort to get a letter --
7 this is what it summarizes.

8 MR. HORTIG: Page 48. There follows a tabulation of
9 the right-of-way easements, permits and related authoriza-
10 tions that have been granted by the Executive Officer pur-
11 suant to delegation of authority.

12 MR. PEIRCE: Appear to be in order.

13 MR. HORTIG: It is recommended that these issuances
14 be confirmed.

15 MR. KIRKWOOD: All right.

16 GOV. POWERS: That's O.K.

17 MR. PEIRCE: Recommendation is approved. Now does
18 that conclude the agenda?

19 MR. HORTIG: That concludes the agenda, Mr. Chairman.

20 MR. PEIRCE: Is there any further business to come
21 before the Commission? (No response) If not, the meeting
22 will stand adjourned.

23
24 ADJOURNED 11:15 A.M.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing 37 pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the State Lands Commission at Sacramento, California, on March 10, 1958.

Dated at Sacramento, California this 11th day of March, 1958.

Louise H. Lillico