

1 TRANSCRIPT OF MEETINGS
2 OF
3 STATE LANDS COMMISSION
4 SACRAMENTO, CALIFORNIA
5 DECEMBER 11, 1958 -- 9:00 A. M.

6 PARTICIPANTS:

7 THE COMMISSION:

8 Messrs. T. H. Mugford, Chairman
9 Harold J. Powers
10 Robert C. Kirkwood

11 COMMISSIONERS-ELECT:

12 Messrs. Alan Cranston
13 Bert W. Levit

14 STATE LANDS DIVISION:

15 Messrs. F. J. Hertig, Executive Officer
16 Fred Kraft, Assistant Executive Officer
17 Kenneth C. Smith, Public Lands Officer
18 Mrs. Julia T. Stahl, Secretary

19 OFFICE OF THE ATTORNEY GENERAL:

20 Messrs. Howard Goldin
21 Leonard Friedman

22
23
24 Reporter:
25 Louise H. Lillie
26 Division of Administrative Procedure

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1 MR. HUSFORD: The hour of nine having arrived and
2 a quorum being present, the Commission will be in order.
3 Mr. Hottig?

4 MR. HOTTIG: Yes, Mr. Chairman. You have on the
5 cover page of the agenda the first item -- the confirma-
6 tion of the minutes of the meeting of the State Lands
7 Commission held in Sacramento on October 14, subject to
8 one clerical correction, redesignating the file reference
9 for the minute item which had been considered on page 432
10 of the minutes.

11 MR. KIRKWOOD: Move the approval of the amendment.

12 GOV. POWERS: I second.

13 MR. HUSFORD: The minutes are approved unanimously.
14 Do you wish to take up now, gentlemen, the matter of the
15 next meeting?

16 MR. KIRKWOOD: Is it contemplated there be another
17 meeting before the end of this term?

18 MR. HOTTIG: No sir.

19 MR. KIRKWOOD: I might introduce my successor down
20 here at the end of the table, Alan Cranston.....

21 MR. CRANSTON: Thank you, Bob.

22 MR. KIRKWOOD: ... who will be taking over next
23 meeting.

24 MR. HUSFORD: I am happy to introduce my successor,
25 Bert Levit, new Director of Finance.

26 MR. LEVIT: Thank you. Mr. Anderson is unable to

1 be here.

2 MR. HORTIG: As the Commissioners and Commissioners-
 3 clect are aware, the work load of the Commission is such
 4 that it is highly desirable that meetings be held, if even
 5 for a brief period, at approximately monthly intervals.
 6 The rules and regulations of the State Lands Commission do
 7 provide that the Commission will meet on the last Thursday
 8 of each month unless on motion of two of the Commissioners
 9 it is set forward; and it is suggested for the considera-
 10 tion of all you people here that the last Thursday of
 11 January is January 29. This will give you considerable
 12 time before the next meeting of the Commission but would
 13 permit automatic meeting with sufficient material for an
 14 agenda by that time. If the Commission would care to
 15 establish that date at this time

16 MR. LEVIT: Would the meeting be here in Sacramento?

17 MR. HORTIG: Yes, with the Legislature in session it
 18 will be practical to schedule meetings in Sacramento during
 19 that time.

20 MR. HUGFORD: Do I understand, Mr. Hortig, by some
 21 rule of the Commission previously adopted the meeting is
 22 the last Thursday?

23 MR. HORTIG: That's right.

24 MR. HUGFORD: So probably no action is needed at
 25 this time?

26 MR. KIRKWOOD: We can leave it at the call of the
 Chair.

1 MR. LEVIT: Except if it is going to be in Los
2 Angeles or Sacramento

3 MR. HORTIG: The ultimate location, time and place
4 are actually at the discretion of the Commission if they
5 decide to not do otherwise. From a staff standpoint, we
6 would like to suggest that if dates certain can be arranged
7 this does expedite the processing of the calendar business
8 for the Commission, as well as the scheduling of appear-
9 ances.

10 GOV. POWERS: Do you want a motion for the last
11 Thursday?

12 MR. HUGFORD: I would suppose it would help the
13 staff and others who are interested.

14 GOV. POWERS: I move that the next Commission meet-
15 ing be held the last Thursday in January, January 29.

16 MR. LEVIT: In Sacramento.

17 MR. KIRKWOOD: Second.

18 MR. HORTIG: Nine a.m.?

19 GOV. POWERS: What time do you want?

20 MR. LEVIT: That's good enough.

21 MR. HUGFORD: Then the action is unanimous that the
22 next meeting will be at nine o'clock in Sacramento on
23 Thursday, January 29.

24 MR. HORTIG: Yes ... 1959.

25 MR. KIRKWOOD: You ought to raise that subject to
26 change by the Chair, I think.

1 MR. MARTIN: If we hear otherwise from the Commis-
2 sioners we of course will accede.

3 MR. MUGFORD: All right, the next item?

4 MR. HOFFER: Page 1 of the calendar, gentlemen:
5 The Tidewater Oil Company, as lessee of the first tide
6 and submerged lands oil and gas lease awarded pursuant to
7 the Cunningham-Shell Act, have had difficulties in develop-
8 ment of that lease and have drilled two wells without any
9 commercial oil and gas success; have now requested a defer-
10 ment of drilling and operating requirements under the
11 lease (as requested by the lessee) until January 1, 1960,
12 in order to complete negotiations with another operator for
13 the drilling of a well in the leased area. It is the staff
14 recommendation that a deferment be granted but at this time
15 only to June 30, 1959, it being felt that the additional
16 period of six months' deferment is adequate for the purposes
17 desired -- this negotiation for drilling operations.
18 There are no known extreme mechanical complications and if
19 reasonably, at the time of June 30, 1959, negotiations
20 have not been able to be consummated, the staff would
21 recommend a further extension; but it is felt request for
22 a full year extension at this time does not have any prac-
23 tical or necessary basis.

24 MR. KIRKWOOD: So move.

25 GOV. POWERS: I second.

26 MR. MUGFORD: Any further discussion or anyone wish

1 to be heard? (No response) If not, the action is to
2 adopt the recommendation unanimously.

3 MR. HORTIG: Page 2: Lease held by Douglas Oil
4 Company at Huntington Beach covered originally only 320
5 acres of tide and submerged lands -- one mile in length and
6 half mile in width into the Pacific Ocean; has been ex-
7 plored by the lessee, with the completion of two wells and
8 the determination that the drilling of additional wells
9 is not economically justified. The lease provides for
10 quitclaim of any undeveloped portions of the property, at
11 the option of the lessee, in compact form and containing
12 ten acres or multiples thereof. Pursuant to this provision,
13 the lessee has requested acceptance of a quitclaim relating
14 to all the currently undeveloped portion on P.O.C. 1524.1,
15 the proposed quitclaim being a quitclaim on 310 of the
16 320 acres, with ten acres to be retained by the lessee for
17 continued operation of the existing producing wells.
18 Authorization to the Executive Officer to accept this quit-
19 claim is recommended.

20 MR. HUGFORD: What is the pleasure of the Commission?

21 GOV. POWERS: I have the recommendation.

22 MR. KIRKWOOD: Second.

23 MR. HUGFORD: The recommendation is unanimously
24 adopted.

25 MR. KIRKWOOD: What was the bonus paid on this lease?

26 MR. HORTIG: There was no bonus paid on this lease,

1 Mr. Kirkwood. This was the last straight or sliding scale
 2 royalty bid received, and it indicated a probable or pos-
 3 sible maximum depending upon foreseeable rates of produc-
 4 tion of not to exceed 80%. In fact, the well capacities
 5 have been such that they have barely been making the
 6 minimum royalties.

7 Pages 5 and 6 relate to two leases issued by the
 8 State Lands Commission on royalty bid only, the leases
 9 lying adjacent to each other at Coal Oil Point in Santa
 10 Barbara County, immediately offshore the area that is now
 11 the campus of the University of California at Santa Barbara.
 12 For several years numerous wells or holes have been drilled
 13 without, again, successfully demonstrating commercial produc-
 14 tion. A new program for evaluation is now under way.
 15 This program contemplates the use of mobile marine equip-
 16 ment in water exceeding 200 feet in depth, the program
 17 originally scheduled to commence in September 1958; but
 18 due to strike conditions the equipment had been held up
 19 in drydock. Additionally, because the operations will be
 20 conducted in water exceeding 200 feet in depth, it is felt
 21 additional time will be required to develop new techniques
 22 and especially to fabricate new equipment to permit drill-
 23 ing in these depths.

24 Therefore, it is recommended that the request of
 25 Signal Oil and Gas Company, Honolulu Oil Corporation and
 26 Richfield Oil Corporation, leases under State Oil and Gas

1 leases P.N.C. 308 and 309, for a deferment of drilling
 2 and operating requirements be granted to December 31, 1959.
 3 This grant of deferment is to be subject to the express
 4 conditions which are generally standard in grants of this
 5 type by the Commission, that one of three actions will be
 6 undertaken by the lessees during the period of deferment
 7 either to initiate development on the lease, or quitclaim
 8 the entire leased area, or present new adequate bases not
 9 considered heretofore for any further extension of the
 10 deferment.

11 MR. KIRKWOOD: This, as I recall, was on a fairly
 12 high royalty.

13 MR. HORTIG: It was a royalty bid the multiple of
 14 which has been called our standard, but which has not been
 15 standard with the Commission for some five years -- it
 16 was a multiplying factor in excess of 1; consequently
 17 indicates a royalty of 50% for production of 500 barrels
 18 per day. However, having received no royalty, no profit
 19 has been received from these leases.

20 MR. KIRKWOOD: Move the recommendation.

21 GOV. POWERS: I second.

22 MR. HORTIG: Recommendation has been adopted.

23 MR. HORTIG: Page 7: A log rafting facility pre-
 24 viously authorized by the Commission in Mad River Slough,
 25 Humboldt County, is proposed to be quitclaimed by the
 26 prior lessee. It is recommended the Executive Officer be

1 authorized to accept the quitclaim and, in addition to the
2 written recommendation before you, the quitclaim of lease
3 is to be effective November 7, 1958 and the final year's
4 rental which was paid in advance is to be applied against
5 the last rental due September 30, 1958. This is satis-
6 factory to the lessors and will clear the accounting of
7 the Commission.

8 GOV. FURNER: I move the acceptance.

9 MR. RIVERSWOOD: Second.

10 MR. HENFORD: Adopted.

11 MR. HOFFIG: Page 8: As the Commission will recall
12 by reference to Hunters Point and Hunters Point Reclamation
13 District, under statutory authorization the Commission pre-
14 viously exercised the right to sell lands in this area for
15 a baseball stadium and parking lot. There are proposed
16 industrial developments, consisting primarily of providing
17 sites by filling the tide and submerged lands which were
18 sold by the Tideland Commissioners in 1970 pursuant to
19 statutory authority at that time. Interspersed among
20 these private holdings, we find there are minor tracts --
21 as you can see even the first one is 159 square feet -- of
22 tide and submerged lands which were never sold by the State.
23 Title is still with the State and the people, of course,
24 have no authority to place fill on State lands unless they
25 have rights. In this instance we have an application to
26 lease four of these minor segments in order that the private

1 owners of adjoining lands may fill the entire unit, in
2 order to provide a site that can be used for commercial
3 use; and in accordance with the established policies of
4 the Commission for leasing tide and submerged lands, it is
5 recommended that a 15-year lease be authorized to Charles
6 L. Barney for the parcels, numbering four, as listed in
7 the recommendation, at an annual rental of \$100 -- the
8 lease to provide, again in accordance with rules and regu-
9 lations and standard forms, for two renewals of 10 years
10 each upon such terms and conditions the Commission may
11 propose at the time of approval.

12 GOV. POWERS: This will increase the value of the
13 State land.

14 MR. HORTIG: Yes sir. It has from six inches to
15 ten feet of muddy water over it at this time and is in-
16 accessible, and being between private holdings it could be
17 held that there is no legal access to these State lands --
18 at least without trespassing over private property.

19 MR. MURFORD: What would happen at the end of those
20 35 years, the total term of this lease, if at some future
21 time the Commission would refuse to renew the lease?
22 What would be the situation?

23 MR. HORTIG: Then the State of California would own
24 four parcels of tide and submerged land of varying sizes
25 in nonstrategic locations and we would have the problem
26 to know how to dispose of them.

1 GOV. POWERS: We are just giving control of them
2 to Barney, not selling them.

3 MR. HORTON: Actually, it has been suggested that
4 these pieces could be fenced off and not filled. The
5 economic consideration would indicate that is not a desir-
6 able procedure. Is there any advantage to the State to
7 have four isolated pieces of land in the water?

8 GOV. POWERS: I think we should accept it. We
9 are not losing it to Barney.

10 MR. HORTON: Mr. Kirkwood moves.

11 GOV. POWERS: I second.

12 MR. HORTON: Unanimously approved.

13 MR. HORTON: Page 9 relates to an application for
14 sale of vacant school land which is not standard and the
15 staff recommendation will be at variance with the written
16 recommendation before you. The problem results from the
17 fact that there are questions -- which, upon further re-
18 view with the office of the Attorney General and upon
19 advice of the office of the Attorney General, the uncer-
20 tainties which are raised by the deviations and questions
21 on the application of the rules and regulations are such
22 that the Commission might find that valid title could not
23 be passed pursuant to either of the applications before
24 the Commission; and under those circumstances it is recom-
25 mended that the Commission authorize rejection of both
26 applications herein listed and authorize reoffering of

1 the particular lands for sale only pursuant to new appli-
 2 cations. This is one of the rare exceptions in the hun-
 3 dreds of land sales where there are two applicants and
 4 both applicants for the first time devise a new method of
 5 attempting to deviate or the circumstances are such that
 6 we have deviations from the rules and regulations.

7 MR. KIRKWOOD: What happens here? Does the original
 8 applicant still retain his right after the next

9 MR. HORTIG: No sir, he would not.

10 MR. KIRKWOOD: You start afresh?

11 MR. HORTIG: He start afresh.

12 MR. KIRKWOOD: What is the minimum offer going to
 13 have to be -- \$1500 or \$1200?

14 MR. HORTIG: \$1200, the appraised price.

15 MR. KIRKWOOD: So we may get kipped out of \$300
 16 by not taking this?

17 MR. HORTIG: That could be.

18 MR. KIRKWOOD: We can't hold the bidder?

19 MR. HORTIG: We might be able to hold the second
 20 bidder, who offered the \$1500, but the Attorney General's
 21 office has suggested it is not certain we can hold him
 22 and the question was whether all the potential complications
 23 warrant acceptance of either of these bids either by
 24 acceptance of one of the bids or to hold the second one by
 25 deferral. The recommendation was that rather than estab-
 26 lishment of either a precedent or deviation from the rules

1 and regulations, the practical procedure is to clear the
2 slate and start over.

3 GOV. POWERS: It's all right with me.

4 MR. KIRKWOOD: That is the reaction of the A.C.'s
5 office?

6 MR. HUNFORD: Anything you wish to say?

7 MR. GOLDIN: I believe Mr. Herbig has adequately
8 covered the subject.

9 MR. KIRKWOOD: Second.

10 MR. HUNFORD: The recommendation is adopted.

11 MR. HERBIG: Ken ...

12 MR. SMITH: Page 11: Sales of vacant State school
13 land. It is recommended the Commission authorize the sale
14 of vacant State school land for cash, at the highest offer.
15 In accordance with the following tabulations, such sales
16 to be subject to all statutory reservations including
17 minerals; and then there follows tabulation of five separate
18 sales, all of which are noncontroversial.

19 MR. HUNFORD: What is the pleasure of the Commission?

20 GOV. POWERS: O. K.

21 MR. KIRKWOOD: Approved.

22 GOV. POWERS: Are these always sold at appraised
23 value?

24 MR. SMITH: Yes, they are -- or in excess of that
25 where bids have been received.

26 GOV. POWERS: What if they offer less than the

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appraised value?

MR. SMITH: Then we don't accept the bid.

MR. HORTON: They are advertised with a minimum bid, Governor. Page 18

MR. SMITH: Page 18: Selection of vacant Federal land in Humboldt County. It is recommended that the Commission determine that it is to the advantage of the State to select the Federal land embraced in 40 acres in Humboldt County; that the Commission approve the selection of said land and authorize the sale thereof pursuant to the rules and regulations governing the sale of vacant State school land. This is an instance where the applicant has cancelled out and the State wishes to proceed with acquisition of title.

MR. HORTON: I might point out, as stated in the second paragraph of the agenda, the principal reason is that the applicant did not wish to pay the costs of appraisal as provided by rules and regulations. The Commission has been attempting to expedite appraisal, particularly in cases of timbered lands, by having appraisals made by contract and in several instances --- this item you have before you and the one next following --- the applicants have felt that the service contract appraisal is excessive and they do not wish to bear it. On the other hand, it is an advantage to put these lands on the State land list and sell them according to

1 established school land procedures.

2 GOV. POWERS: It is O. K. with me.

3 MR. KIRKWOOD: O. K.

4 MR. HUGHFORD: The recommendation is adopted.

5 MR. SMITH: Page 19 is a similar series of Federal
6 lands in Humboldt County embracing 520 acres. It is recom-
7 mended that the Commission determine that it is to the
8 advantage of the State to select the lands in Humboldt
9 County containing 580 acres; that the Commission approve
10 the selection of such land and authorize the sale thereof
11 pursuant to the rules and regulations governing sale of
12 State school land. This is timbered land on which the
13 applicant to the State has likewise cancelled.

14 MR. KIRKWOOD: Has the State gone ahead and made
15 an appraisal on contract?

16 MR. HORTON: No sir.

17 MR. KIRKWOOD: You don't actually have knowledge of
18 the value of this land?

19 MR. HORTON: From field inspection -- in other
20 words, there is a first recommendation as to value of the
21 timbered lands without an actual cruise of the timber
22 thereon and -- trade secret -- recognizing that the value
23 of the specific State lands to be exchanged for these
24 must be less than the value of the lands selected.

25 MR. HUGHFORD: What would be the appraisal fee that
26 would be involved? Do you have any idea?

1 MR. SMITH: The estimated amount submitted by an
2 appraisal firm was approximately \$9,000.

3 MR. KIRKWOOD: On this parcel?

4 MR. SMITH: On the 520 acres. It contains numerous
5 forty-acre parcels scattered over a wide area, which makes
6 it more costly, too.

7 MR. HORTIG: And all timbered to varying degrees.

8 MR. KIRKWOOD: What do we have in the way of a
9 staff appraisal?

10 MR. SMITH: There has been no staff appraisal.

11 MR. KIRKWOOD: No, I mean do we have people who
12 could make a cruise?

13 MR. SMITH: Yes and we have made an estimate,
14 incidentally, on the cost -- which slightly exceeds
15 \$9,000.

16 MR. HIGDON: What is the pleasure of the Commission?

17 GOV. POWERS: I move.

18 MR. KIRKWOOD: Move...

19 MR. HUCKWARD: Recommendation is adopted.

20 MR. HORTIG: Back to underwater streets and lots
21 on page 20 of the agenda, and in the same general area as
22 the lease approved to Charles Harvey -- The Commission had
23 previously authorized leases of underwater streets in a
24 minor area of San Mateo County containing less than an
25 acre and a half of tide and submerged lands to a Mr.
26 William J. Manuel, who has now requested approval of the

1 assignment of these leases to the City and County of
 2 San Francisco; and the City and County of San Francisco
 3 has requested that this assignment be approved. You
 4 gentlemen will see in the next item further application
 5 from the City and County of San Francisco for additional
 6 area, in addition to those to be acquired under these
 7 assigned leases which they desire to have terminated in
 8 order that they can integrate all of their operations with
 9 these lands which they have purchased from the State Lands
 10 Commission under statutory authority.

11 MR. KIRKWOOD: I have the approval. Do you want
 12 approval at this time of all

13 MR. HOFFER: We should clear the isolated parcels
 14 in connection with these operations and I would recommend
 15 approval of the items on pages 20 and 21.

16 MR. KIRKWOOD: So move.

17 MR. HOFFER: Is that satisfactory?

18 GOV. POWERS: H-a-ah.

19 MR. HOFFER: The recommendations are adopted.

20 MR. HOFFER: Routine but unhappy item on page 27:
 21 Recreational lease at Fish Canyon, San Gabriel Mountains,
 22 Los Angeles County. Acceptance of quitclaim is requested
 23 because the site was destroyed in a recent forest fire.
 24 It is recommended that the Executive Officer be authorized
 25 to accept the quitclaim deed.

26 MR. KIRKWOOD: So move.

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GOV. POWERS: O. K.

MR. HUGHES: You have no other course?

MR. HUGHES: No.

MR. HUGHES: Recommendation is adopted.

MR. HUGHES: The leasees does not desire to continue. This is about the third time they have been turned out. I think the quotation from them was: "We have had it."

Page 28: Under Chapter 800, Statutes of 1957, certain tide and submerged lands were granted by the Legislature to the Bolinas Harbor District subject to the State Lands Commission survey, monument, plat, and record of plat at the cost of the Harbor District. A service agreement has been prepared on the work to be provided by the State Lands Division at a cost not to exceed \$5500, and it is recommended that the Executive Officer be authorized to execute this agreement at a cost not to exceed \$5500 for the services to be rendered to the Bolinas Harbor District.

MR. HUGHES: Your pleasure, gentlemen.

MR. KENNEDY: Move . . .

GOV. POWERS: O. K.

MR. HUGHES: Recommendation is adopted.

MR. HUGHES: Page 29 is a brief summary statement of the status of major litigation now pending in which the Commission has a direct concern. First and foremost, the case of the United States vs. Anchor Oil Corporation, et al.

1 relating to the contentions of the United States Depart-
 2 ment of Justice as to procedures for stating land suboid-
 3 ance in Long Beach; and the District Court stated that
 4 the plaintiff's complaint would be dismissed unless an
 5 amended complaint were filed by December 10th. If I may
 6 ask counsel -- was such an amended complaint filed?

7 MR. GOLDEN: We don't have any knowledge of it at
 8 the present time.

9 MR. ROBERTS: Of course, it was yesterday, so we
 10 still don't have a report as to whether an amended com-
 11 plaint was filed. If it was filed, the defendants may
 12 file new motions to dismiss and will have authority to
 13 submit points and authorities no later than December 24th,
 14 with the United States to file points and authorities by
 15 January 9, 1959. Hearings on such motions to be January
 16 15, 1959; and giving the Attorney General's office and
 17 staff additional time to prepare, the court continued the
 18 hearing on preliminary injunction to March 23, 1959, with
 19 points and authorities to be filed by March 2, 1959; the
 20 State's answer due not later than March 31, 1959. The
 21 Attorney General's office and staff are devoting all staff
 22 time that is available, and some that shouldn't be available,
 23 to the continued preparation for this litigation.

24 MR. HURFORD: Supposing this amended complaint was
 25 not filed yesterday, does that mean the whole thing is out?

26 MR. GOLDEN: Mr. Chairman, I believe it is a

1 reasonable assumption that the amended complaint was
 2 filed. It's simply that both Mr. Friedman and myself were
 3 in northern California yesterday and do not have personal
 4 knowledge it was filed.

5 MR. FRIEDMAN: The Federal people said they would
 6 definitely file. They will now seek an injunction closing
 7 down the Wilmington Oil Field rather than an affirmative
 8 type of injunction which would put the operation under the
 9 jurisdiction of the Federal court.

10 MR. MURFORD: Well, you gentlemen have your work
 11 cut out for you for some time to come.

12 MR. FRIEDMAN: For years to come, yes.

13 MR. MORTIS: I might point out to the Commission
 14 in continuing with this summary, this is only one of the
 15 items that the Attorney General's office has the legal
 16 aspects on for the State Lands Commission; and, as a matter
 17 of fact, these two gentlemen are also involved in the bal-
 18 ance of the litigation here listed.

19 The next case -- not necessarily in order of magni-
 20 tude -- is the People vs. City of Long Beach, relating to
 21 the interpretation of quitclaim from the City of Long Beach,
 22 as to whether in the quitclaim to the State of California
 23 they did or did not convey the mineral rights; and this
 24 case is at issue, trial date having been continued to
 25 March 11, 1959.

26 And, finally, approaching in magnitude if not

1 equal to the first case as far as monetary aspects are
2 concerned, is County of Orange vs. State of California,
3 in which the County of Orange contends the State of Cali-
4 fornia didn't realize it but in 1929 they granted the
5 County of Orange all the tide and submerged lands includ-
6 ing the State of California's largest tideland field at
7 Huntington Beach; and on October 27, 1938 the State argued
8 the motion of plaintiff to compel more definitive answers
9 to interrogatories, which have been numerous. The matter
10 has been submitted to the court and has not yet been ruled
11 on. The City of Laguna Beach has indicated a desire to
12 intervene on the side of the State and they have not inter-
13 vened. Obviously, preparation for trial continues.

14 MR. MURFORD: Any questions that anyone would like
15 to raise at this time? This could be the subject for quite
16 a lengthy discussion. Perhaps the new Commissioners at
17 your next meeting would like to have you set time aside
18 for you to give them a complete review of this pending
19 litigation.

20 MR. HARTIG: Yes sir. We are just attempting to
21 evaluate time requirements on that. I was just going to
22 suggest if they would like to set aside a month ...

23 MR. LEVIT: I have just one question. I'd like to
24 ask Mr. Friedman if we are going to win these cases.

25 MR. FRIEDMAN: All I can say -- these cases are a
26 lawyer's dream. They keep lawyers busy for years.

1 MR. HUGHFORD: This is just by way of a report,
2 I take it.

3 MR. HERRING: That was the sole purpose. There is
4 no action required by the Commission, but it is to keep
5 the Commission apprised of where the litigation stands;
6 the importance of these actions now being distinguished
7 on the basis of whether they involve millions of dollars or
8 hundreds of millions of dollars. This is not factions.

9 MR. HUGHFORD: That's the great difficulty. We
10 can't get Leonard to give his attention to things that
11 just involve a few thousands of dollars.

12 MR. FRIEDMAN: Just a question of getting a dis-
13 torted sense of values.

14 MR. KENNEDY: Let me ask as a matter of cleaning
15 up my own thinking on this thing: The other problem on
16 boundaries with the City of Long Beach, the thing that
17 Bruce Allen was pressing for some time, that is still in
18 abeyance and the recommendation of the Attorney General's
19 office remains the same?

20 MR. FRIEDMAN: Neither Mr. Goldin nor myself are
21 involved in that litigation, although we try to keep
22 informed on it. A demand was served on the City of Long
23 Beach regarding certain properties and rights which they
24 received as a result of Federal litigation in 1940; that
25 demand was made on the City of Long Beach in the past few
26 weeks.

1 MR. KIRKWOOD: Does that toll the statute?

2 MR. FRIEDMAN: No, and we are faced with statute
3 of limitation problems and I think it is the feeling of the
4 men in charge of the case that in order to avoid any ques-
5 tions of statute of limitations they will have to have a
6 suit on file perhaps by the end of January.

7 MR. KIRKWOOD: That is a matter of unfinished busi-
8 ness that I think should be brought to the attention of the
9 incoming Commission so that they are aware of what has been
10 done and the reasons for the action up to date.

11 MR. FRIEDMAN: I think it would certainly be advis-
12 able that the men in charge of the case be given an oppor-
13 tunity to sit down and explain that particular problem to
14 the incoming members of the Commission.

15 MR. HOSFORD: Who is handling that in the Attorney
16 General's office, Leonard?

17 MR. GOLDMAN: Mr. Shavelson and Mr. Kaufmann.

18 MR. HOSFORD: Any other questions, gentlemen?

19 (No response)

20 MR. HOFFIG: Pages 30 to 32 present a summary report
21 of several suggestions on legislation which it is felt
22 desirable that the Commission authorize for introduction at
23 the forthcoming session of the Legislature. Those recommen-
24 dations are solely with respect to repealing or clarifying
25 obsolete operating provisions of the statutes. They have
26 been screened to eliminate any proposals as to policy

1 modifications -- either legislative policy fundamentals
 2 or Commission policy; but over the years and predominantly,
 3 as you gentlemen will see from this tabulation, there are
 4 still provisions in the statutes relating to partial pay-
 5 ment plans for the purchase of vacant State school lands
 6 on which there has been legislative moratoria over the
 7 years. The last one was terminated in 1943 but at that
 8 time it was recommended that the statutes not be modified
 9 so that a sufficient period of time was allowed so that
 10 no vested rights could in any way be influenced. Fifteen
 11 years after the last moratorium - which, again, extended
 12 over possibly 30 years -- it is felt that the obsolete
 13 nature of the statutes is clearly indicated today and still
 14 they represent administrative difficulties in the operation
 15 of the State Lands Division because some prospective appli-
 16 cant is always reading the statute and attempting to make
 17 an application in accordance with the statutes.

18 Similarly, there were two -- Chapter 4 and 4.1 of
 19 Division 6, which related to the recession lands of Owens
 20 Lake, now a dry lake -- leasing for mineral extraction --
 21 and the leases were issued according to the earlier statute.
 22 Subsequently, new legislative provisions for leases were
 23 enacted in 1941 and it was provided that the prior chapter
 24 no longer be effective after 1941. The last lease has
 25 since expired. There is no longer any area in which the
 26 statute can apply and operations are covered by existing

1 statutes. So, again, it is recommended that the obsolete
2 portions be repealed.

3 MR. KIRKWOOD: Mr. Chairman, I move that the
4 recommendation of the staff be approved and these changes
5 be prepared, having in mind that departmental bills pre-
6 sumably have to be moved fast, even with the new setup in
7 the Legislature; so I think the thing would be to get
8 these in order and in, and then the new Commission can
9 review with the staff and if they don't want to support
10 them they could move later on, but I would recommend we
11 approve this now.

12 MR. NORTH: Certainly the staff would be happy to
13 proceed on the firm statement that anything can be with-
14 drawn and would be withdrawn from committee and would not
15 be pressed until after confirmation of the new Commission.

16 MR. HUGHFORD: Your recommendation, then, in line
17 with Mr. Kirkwood's notion -- the drafts would be prepared,
18 you would get a member to introduce the bills, and then
19 when they were in before final confirmation the new Com-
20 missioners would have an opportunity to review them and
21 you would still have an opportunity to correct or change
22 any provision which didn't meet with the approval of the
23 new Commission.

24 MR. LEVIT: Mr. Chairman, may I ask a question?
25 Do you have a written opinion from the Attorney General
26 in the nature that they are all obsolete and routine things?

1 MR. HORTIG: No sir.

2 MR. LEVIT: Would it be possible to obtain one for
3 the new Commission?

4 MR. HORTIG: Yes, we will make that request.

5 MR. HUSFORD: Who does the drafting for you?

6 MR. HORTIG: Legislative counsel. Our own staff
7 makes the format and then the drafts are "exported" by
8 the legislative counsel's office.

9 MR. LEVIT: I am not speaking of the drafting ...

10 MR. HORTIG: I appreciate that. We will have an
11 opinion, an informal opinion from the Attorney General's
12 office.

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

14 MR. HUSFORD: Then the recommendation is adopted,
15 with the understanding this opinion will be obtained and
16 all these recommendations will be in final draft for review
17 by the members of the new Commission. Unanimous action on
18 this. Next?

19 MR. HORTIG: Under 1957 amendments to the Public
20 Resources Code, the initiation of cooperative agreements
21 for oil development on granted tide and submerged lands
22 by any municipal grantee is subject to approval by the
23 State Lands Commission, with the required conditions for
24 approval specified in Section 6079 of the Public Resources
25 Code. A proposed form of cooperative agreement providing
26 for water injection in the Wilmington Oil Field, as presented

1 by the Board of Harbor Commissioners of the City of Long
2 Beach, has been reviewed by the staff as to engineering
3 feasibility and on that basis is recommended. Addition-
4 ally, the form proposed has been reviewed and found to
5 contain the required minimum conditions required for
6 approval by the Commission under the Public Resources Code
7 and, therefore, it is recommended that the Commission find
8 that the entering into and performance of the agreement
9 under the water flooding program known as "Cooperative
10 Agreement, Fault Block VI" between the City of Long Beach
11 Board of Harbor Commissioners, Richfield Oil Corporation
12 and Producing Properties, Incorporated, is in the public
13 interest and that, as required by Section 6579 of the
14 Public Resources Code, such cooperative agreement provides
15 that any impairment of the public trust for commerce,
16 navigation or fisheries to which the granted lands are
17 subject is prohibited and it provides for its submission
18 to the State Lands Commission for approval. The Commission
19 approval is to be subject to (1) receipt of resolution from
20 the City of Long Beach that the agreement is in the inter-
21 est of increasing ultimate recovery of oil and gas or
22 protection from unreasonable waste, or that the subsidence
23 and sinking of such lands and adjoining lands may possibly
24 be arrested or ameliorated thereby; and (2) in amplifica-
25 tion of the written recommendation that you gentlemen have
26 before you, approval of the form of the cooperative agreement

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by the Attorney General as to compliance with the Public Resources Code.

MR. MURFORD: This would still be subject to the approval of the State Oil and Gas Supervisor?

MR. HORTIG: The initiation of the operation -- even though this is approved by the Commission, the initiation of the operation is still subject to approval of the Oil and Gas Supervisor.

MR. MURFORD: But this kind of action is in accordance with the stated objective or one of the stated objectives of this Federal litigation.

MR. HORTIG: The resolution of this litigation .. and this is required by statute if the operation is to be placed in effect at all -- this is the first step in a series of State approvals.

MR. KIRKWOOD: I'd move it.

GOV. POWERS: Yes.

MR. KIRKWOOD: There is agreement between the Attorney General and the Long Beach representatives as to the language of this?

MR. GOLDIN: The Attorney General's office has not had an opportunity to review this.

MR. KIRKWOOD: But this last proviso, if it is recommended, would take care of that.

MR. GOLDIN: When Mr. Hortig mentioned the form of the cooperative agreement, he meant also that the Attorney

1 General's office was also to scrutinize it as to legal
2 sufficiency, is that it?

3 MR. HORTIG: That is the purpose of the condition.

4 MR. KIMWOOD: City of Long Beach is in agreement?

5 (Mr. Hortig nodded)

6 MR. HUGFORD: The recommendation is unanimously
7 adopted, with that added proviso which the minutes will
8 so show.

9 MR. HORTIG: Page 34: In continuation of the
10 proposed type of operations to which you referred, Mr.
11 Hugford -- alleviation or amelioration of subsidence, or
12 water injection -- an integral part of that operation which
13 has been proposed by the City of Long Beach has been the
14 erection of a municipal water and distribution system for
15 the sale of water to all operators who used water for in-
16 jection into the oil fields. In order to evaluate the
17 economic feasibility of this operation, the City of Long
18 Beach has requested approval, under Chapter 29, from the
19 Commission of an expenditure not to exceed \$100,000 for
20 engineering a portion of this system to the extent neces-
21 sary to determine its economic feasibility; and, inciden-
22 tally, it is proposed that these funds would be expended
23 from the City's portion of the tideland revenues. There
24 would be no cost share on the part of the State, but the
25 State Lands Commission's approval is still necessary and
26 required under Chapter 29. An opinion has been requested

1 from the office of the Attorney General as to whether the
 2 City of Long Beach may engineer, finance and install a
 3 water injection system and, if so, whether the proposed
 4 \$100,000 for engineering study may be authorized under the
 5 provisions of Chapter 29. And, therefore, it is recom-
 6 mended that the Commission approve the costs not to exceed
 7 \$100,000 to be expended by the City of Long Beach for an
 8 engineering study of a field-wide water injection system,
 9 subject to determination by the office of the Attorney
 10 General as to whether the expenditure may be authorized
 11 pursuant to Chapter 29, 1st Extraordinary Session, Statutes
 12 of 1956.

13 MR. MUGFORD: Do you think this is the better pro-
 14 cedure, to ask the Commission to act subject to the
 15 Attorney General's findings on the statutes, rather than
 16 get the opinion ahead of time?

17 MR. MORFID: No sir, I do not; but the City of
 18 Long Beach has a problem and actually we received the
 19 specific written proposal with respect to this matter last
 20 Friday afternoon, so it was just physically impossible to
 21 get an Attorney General's office opinion between last Fri-
 22 day and today. It would be unreasonable to even request
 23 it. But the City does have sufficient confidence that
 24 this project will be qualified and have other commitments
 25 for preliminary operations in preparation of sites and so
 26 forth that should be under way if this project is to be

1 carried on expeditiously after it is approved. They at
 2 least need the release of this conditional approval in
 3 order to permit reasonable initiation of these preliminary
 4 operations. This is the only reason this item has been
 5 presented in this manner rather than coming to you with a
 6 sound and fully recommended basis for approval. We are,
 7 however, in the situation of who shall go first.

8 MR. HUSFORD: I appreciate that. Any other
 9 questions?

10 MR. KIRKWOOD: No. I think under the circumstances
 11 we are justified.

12 MR. HUSFORD: You move the adoption?

13 MR. KIRKWOOD: N-n-ahn.

14 GOV. POWERS: N-n-ahn.

15 MR. HUSFORD: The recommendation is adopted.

16 MR. HORTIG: The Commission will recall that pre-
 17 viously contract amendments to the Long Beach Oil Develop-
 18 ment contract with the City of Long Beach, under which the
 19 contractor develops oil for the City of Long Beach from
 20 the granted tide and submerged lands, were authorized in
 21 the earlier stages when water repressuring was considered,
 22 to provide for a water flooding project which would permit
 23 the injection of 180,000 barrels per day of water, with
 24 capital investments to provide the equipment to permit
 25 this operation not to exceed four million dollars -- sub-
 26 ject to review and approval by the Commission of any

1 proposed expenditures in excess of that amount.

2 Due to the accumulation of engineering reviews

3 that have been going on cooperatively and, additionally,

4 that have been hastened by the filing of the U. S. vs.

5 Anchor action, there are numerous studies indicating in

6 general the necessity for ultimately possibly injecting

7 one million barrels a day of water field-wide; and in

8 that direction and as a proper contribution and operation

9 on the tidelands portion of the field under this Long Beach

10 contract, the Long Beach Board of Harbor Commissioners, under

11 Chapter 29, have authorized the addition to the contract

12 to provide for additional operations to cost not to exceed

13 a ceiling of four million dollars additional to that four

14 million ceiling previously approved by the State Lands

15 Commission -- which will provide for an extended water

16 injection program of 400,000 barrels per day total in

17 lieu of the 100,000 barrels previously approved.

18 As contract amendments under Chapter 29 must be

19 approved by the State Lands Commission, therefore it is

20 recommended that the Commission approve the modified

21 amendatory contracts of the Long Beach Oil Development Co.

22 to provide for an extended water flood program of 400,000

23 barrels per day total, subject to the following conditions:

- 24 (1) A four million dollar limitation of capital
- 25 cost expenditure which may be made under this project in
- 26 addition to capital expenditures approved previously; and

1 review of the form of contract amendment by the office of
2 the Attorney General as to qualification under Chapter 29,
3 Statutes of 1956, 1st S.S. pursuant to which the Commission
4 may consider approval.

5 MR. KIRKWOOD: What do you mean by four million?
6 Four million in addition to \$2,550,000?

7 MR. HORTIG: The intent was four million in addi-
8 tion to the four million previously approved. Of the four
9 million previously approved, to date \$2,550,000 has been
10 expended but there will be additional expenditures within
11 that ceiling. In other words, the aggregate result of
12 this item would be a total of eight million capital expendi-
13 ture approved.

14 MR. MURFORD: What does the work consist of?

15 MR. HORTIG: Drilling of water source wells, con-
16 pression and water distribution systems, injection on the
17 part of the City's contractor, Long Beach Oil Development,
18 to put the water in the ground where it is hoped it will
19 ameliorate subsidence.

20 MR. KIRKWOOD: What do you mean by (2) .. ".....
21 pursuant to which the Commission may consider the proposed
22 amendment for approval."?

23 MR. HORTIG: Possibly, sir, the intent there was
24 that under Chapter 29, Statutes of 1956, the Commission
25 may consider the proposed amendment for approval and under
26 these conditions determination is desired by the Attorney

1 General that pursuant to those provisions of Chapter 29
 2 the form of contract amendment proposed is satisfactory
 3 for approval by the Commission if the Commission so desires.
 4 If I might suggest ... I think the purpose would be served
 5 by putting a period after "let E.S."

6 MR. MUGFORD: What you intended to do -- you
 7 intended to describe the provision of the statute to which
 8 you are referring?

9 MR. HORTIG: Obviously I didn't make it.

10 MR. KIRKWOOD: Again this is satisfactory to both
 11 the Attorney General's office and to the City?

12 (Mr. Hortig nodded)

13 MR. MUGFORD: Is that O. K. with you, Governor?

14 GOV. POWERS: Yes.

15 MR. MUGFORD: The recommendation is unanimously
 16 adopted.

17 MR. HORTIG: Pages 37 to 39: We are finally again
 18 to the happy point of closing out two projects previously
 19 approved by the State Lands Commission, whereunder the City
 20 of Long Beach conducted subsidence remedial operations.
 21 Construction phases of the projects have been completed;
 22 final engineering review and final audit of the work and
 23 the costs actually incurred have been completed; and it
 24 has been determined, as shown on page 39, that there are
 25 additional moneys due the State which were not expended by
 26 the City of Long Beach for any proper proportion of

1 participation by the State in subsidence alleviation; and
 2 with the closing of these projects remittances will be
 3 made by the City of Long Beach in the amounts specified --
 4 \$1,011.25 and \$14,944.72. It is recommended that the Com-
 5 mission approve the final determinations.....

6 GOV. POWERS: I move the approval.

7 MR. MORFIS: ... of subsidence costs in the specified
 8 projects.

9 MR. MURFORD: Satisfactory?

10 MR. KIRKWOOD: N-a-ah.

11 MR. MURFORD: The recommendation is adopted. I
 12 just can't help but wonder why is it necessary for the
 13 Commission to take action? Wouldn't the original action
 14 of the Commission

15 MR. MORFIS: No sir. The original action, the
 16 standard form (as you will see, for example, in the next
 17 item appearing on page 40) -- these are all conditional
 18 advance approvals, with the amounts ultimately to be
 19 allowed to be determined by the Commission upon a final
 20 engineering review and audit; and this is the final deter-
 21 mination of the Commission that's in the original approval.

22 MR. MURFORD: O. K.

23 MR. MORFIS: Page 40: The Commission has previously
 24 approved costs to be expended by the City of Long Beach
 25 Harbor Department, including subsidence remedial work for
 26 a project which was designated as the Pier A Area Project.

1 Subsequent to the June 11, 1958 approval it has developed
 2 that additional unforeseen costs will be incurred arising
 3 from the construction of a pump station and drain system,
 4 and for reconstruction and remedial work on dikes. This
 5 project has received initial staff review and is considered
 6 to include some subsidence costs as defined in Chapter 29
 7 but not necessarily all the costs estimated.

8 Therefore, it is recommended that the Commission
 9 approve such costs proposed to be expended by the City of
 10 Long Beach including subsidence remedial work as indicated
 11 on Exhibit A attached for the period December 11, 1958 to
 12 June 30, 1959; subject to the conditions, however
 13 and here I might interpolate these have been the standard
 14 conditions of the Commission for approval of these projects...
 15 that amounts ultimately to be deducted as subsidence costs
 16 under Section 5(a) of Chapter 29 will be determined by an
 17 engineering review and final audit subsequent to the time
 18 the work on these items is completed.

19 It is also subject that the work conform to the
 20 essential details of the plans submitted to the Commission,
 21 and that the Executive Officer, the Assistant Executive
 22 Officer or the Mineral Resources Engineer be authorized to
 23 execute appropriate written instruments reflecting the
 24 Commission's conditional approval.

25 MR. KIRKWOOD: Are the same things true of all these
 26 items from this to page 49 -- all similar and all routine?

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MR. HORTIG: I think so... (checking) Yes sir, they are. They all relate to

MR. KIRKWOOD: I move the approval.....

MR. HORTIG: partial approval of subsidence items.

MR. KIRKWOOD: ... of the items to page 48 or 49. The recommendation is contained on page 48, although there is material on page 49.

MR. HORTIG: Is that satisfactory?

GOV. POWERS: Yes, that's satisfactory to me.

MR. HORTIG: They are all subject to the same standard conditions.

MR. HORTIG: Yes sir.

MR. HORTIG: The action, then, is the approval of the recommendations contained in pages 48 to 49. Any questions? (No response) So ordered.

MR. HORTIG: Pages 50 to 70 are the tabulations of transactions consummated by the Executive Officer under delegation of authority from the State Lands Commission. This tabulation represents the accumulation of standard permits, leases, easements, rights of way, and similar authorizations which have been issued in accordance with the prescribed forms and the policy of the Commission. It is recommended that the Commission confirm the actions of the Executive Officer as reported.

MR. KIRKWOOD: Move the recommendation on page 70.

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GOV. POWERS: N-n-n-n.

MR. HUGHES: The recommendation is unanimously adopted. Is there any further business to come before this meeting of the Commission?

MR. HUGHES: Not from the staff, Mr. Chairman, at this time.

MR. HUGHES: Anything, Mr. Kirkwood?

MR. KIRKWOOD: No sir.

MR. HUGHES: Governor Powers?

GOV. POWERS: No, I haven't anything.

MR. HUGHES: The meeting of the Commission will then be adjourned.

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CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing thirty-seven pages contain a full, true and correct transcript of the shorthand notes taken by me at the meeting of the State Lands Commission at Sacramento, California, on December 11, 1958.

Dated: Sacramento, California, December 12, 1958.

/s/ Louise H. Lillico