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TRANSCRIPT OF  
MEETING

of  
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA -- JANUARY 29, 1959

PARTICIPANTS:

THE COMMISSION

Messrs. Bert W. Levit, Director of Finance, Chairman  
Glenn M. Anderson, Lieutenant Governor  
Alan Cranston, Controller

STATE LANDS DIVISION

Messrs. F. J. Hortig, Executive Officer  
Fred Kreft, Assistant Executive Officer  
Kenneth C. Smith, Public Lands Officer  
Mrs. Julia Stahl, Secretary

ATTORNEY GENERAL'S OFFICE

Mr. Leonard M. Friedman, Deputy Attorney General  
Mr. Howard S. Goldin, Deputy Attorney General

APPEARANCES:

C. A. HOOPER & CO. by Mr. Hawkins

CITY OF LONG BEACH by:

Messrs. Joseph A. Ball, Special Counsel  
Philip J. Brady, Deputy City Attorney  
W. A. Smith, Assistant Subsidence  
Control and Repressurization  
Administrator

Reporter:

Louise H. Lillico  
Division of Administrative Procedure

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1 As Acting Chairman, Mr. Levit called the meeting  
2 to order at 9:00 a.m.

3 MR. LEVIT: The three members of the Commission  
4 are here and I think the first thing to do would be to  
5 call for nominations for Chairman of the Commission.  
6 What is your pleasure, gentlemen?

7 MR. ANDERSON: Mr. Chairman, I want to make a  
8 motion on that but before I do I want to state my feeling  
9 on it. That is, first I would like to see Mr. Levit be  
10 the Chairman, but I think we should probably do it on an  
11 annual rotating basis, and with that thought in mind I  
12 would like to make the motion that you be the Chairman of  
13 the Commission.

14 MR. LEVIT: As far as I am concerned, I think this  
15 Commission has no power to bind its successor commissions  
16 in a matter of that kind and the Chairman would have to be  
17 elected each year. I certainly have no particular views  
18 one way or the other on that subject at this point. I have  
19 no objection to it.

20 MR. CRANSTON: I second the motion.

21 MR. LEVIT: Any further nomination? If not, I  
22 will assume that I am ....

23 MR. CRANSTON: You are. We will trade seats.

24 (At this point Bee photographers took pictures)

25 MR. LEVIT: The first item of business should be  
26 the appointment of the Executive Officer of the Commission.

1 Mr. Hortig, as you know, has been Executive Officer, and I  
2 assume he serves at the pleasure of the Commission.

3 MR. HORTIG: That is correct, Mr. Chairman.

4 MR. CRANSTON: Mr. Chairman, I move that the  
5 present arrangement be continued, that Mr. Hortig remain  
6 as Executive Officer.

7 MR. ANDERSON: Second.

8 MR. LEVIT: If there is no objection that will be  
9 the order by unanimous consent. The next item that has  
10 been suggested is the matter of delegation of authority to  
11 the Executive Officer. It has been the practice in the past  
12 for the Commission to operate under rules which involve,  
13 among other things, delegation of authority to the Executive  
14 Officer of the Commission. You have a copy of the present  
15 delegations, which I have myself gone over and they seem to  
16 be in order to me. They have been followed in the past,  
17 apparently, without difficulty; and as I understand it,  
18 Mr. Hortig, they give you full authority to act as the Execu-  
19 tive Officer of the Commission and restrict your general  
20 authority in certain ways and require that you bring certain  
21 matters to the attention of the Commission before taking  
22 action on them.

23 MR. HORTIG: That's right. All I do is the prelimi-  
24 nary work. Oil and gas leases and matters subject to public  
25 bid must be brought to the Commission before release. Dele-  
26 gations of authority only relate to the preliminary work

1 to the point where the matters can be brought to the atten-  
2 tion of the Commission for consideration. The normal  
3 business of the Commission in accordance with established  
4 rules and regulations which would be handled by the Execu-  
5 tive Officer under delegation of authority is still subject  
6 to final confirmation and ratification by the Commission  
7 as to each action taken. The Commission retains full con-  
8 trol of all items undertaken. It is a means of expediting  
9 the paper work.

10 MR. LEVIT: And furthermore, of course, these rules  
11 are subject to amendment by the Commission at any time.

12 MR. HORTIG: At any time.

13 MR. LEVIT: What is your pleasure, gentlemen?

14 MR. ANDERSON: I so move.

15 MR. CRANSTON: Second the motion.

16 MR. LEVIT: The motion is that the rules previously  
17 in effect with respect to the authority and delegations of  
18 authority to the Executive Officer be continued in force.  
19 There being no objection, that will be the order by unani-  
20 mous consent of the Commission.

21 The calendar business now, as it appears in the  
22 mimeographed calendar is not arranged in categories with  
23 respect to the various groupings of subject matter. I,  
24 therefore, asked Mr. Hortig to give me an outline of these  
25 various items by category, so that we could treat them in a  
26 more logical way than just simply taking them up -- first

1 one category and then another and jumping back to the first  
2 one again. So if this meets with your approval, gentlemen,  
3 I will try it out for size this morning and if you like it  
4 then from here on in we will have the calendar arranged  
5 that way, so you will all have this in advance. There just  
6 hasn't been time to get this up and distribute it. I only  
7 suggested this to Mr. Hortig, I think, the day before yes-  
8 terday. At any rate, I have a rearrangement here.

9 MR. CRANSTON: Are there additional copies of the  
10 rearrangement?

11 MR. HORTIG: There is one here.

12 MR. CRANSTON: You better keep that if there is  
13 only one.

14 MR. LEVIT: You can look at this one if you wish.  
15 The first item, then, will be the confirmation of the min-  
16 utes of the meeting December 11, 1958 and that is on the  
17 face of our mimeographed calendar; and there appears to be  
18 one correction of a work order number -- Minute Item 13  
19 from W. O. 2274.1 to 2274.2. I suppose that was a typo-  
20 graphical error?

21 MR. HORTIG: Yes sir.

22 MR. CRANSTON: Mr. Chairman, I move the minutes be  
23 approved as amended.

24 MR. ANDERSON: Second.

25 MR. LEVIT: That will be approved. The next item  
26 will be the determination of the date of the next meeting.

1 As I understand it, Mr. Hortig, the custom has been for the  
2 Commission to meet once a month on the last Thursday of  
3 each month, is that correct?

4 MR. HORTIG: This is also in the regulations of the  
5 Commission subject to change at the discretion of the Com-  
6 mission.

7 MR. LEVIT: We have set that as the regular day  
8 for the date of meeting of the Commission. Mr. Anderson and  
9 I had a little discussion on this the other day and we feel  
10 it is advisable to have a definite date, so we can all put  
11 it aside on our calendar.

12 MR. CRANSTON: Fourth Thursday, is that right?

13 MR. HORTIG: Yes.

14 MR. CRANSTON: Mr. Chairman, I agree with this sys-  
15 tem -- I think it is very fine. I happen to have a conflict  
16 on the next two Thursdays. I wonder if it would be agree-  
17 able to you to make the next two meetings on the fourth  
18 Wednesdays -- make a change on this for these two Thursdays?

19 MR. ANDERSON: The next two we will meet on the fourth  
20 Wednesday, thereafter on the fourth Thursday?

21 MR. LEVIT: Where will these meetings be held?

22 MR. HORTIG: In Sacramento during the period the  
23 Legislature is in session. After that ....

24 MR. LEVIT: That will be the last Wednesday in  
25 February and in March.

26 MR. ANDERSON: You said the fourth.

1 MR. LEVIT: It will be the last .... Have we got  
2 a conflict on either of those Wednesdays? I mean by that  
3 are they in all cases the last Wednesday? The February  
4 one is .... yes, they both are. Well, the next item on  
5 the calendar .....

6 MR. HORTIG: Mr. Chairman, the Deputy Controller  
7 informs me that the last Wednesday in February may have a  
8 further conflict for Mr. Cranston -- the Pooled Money  
9 Investment Board.

10 MR. CRANSTON: That would involve Mr. Levit, too.

11 MR. LEVIT: In February?

12 MR. HORTIG: Is that correct, Mr. Nebron?

13 MR. NEBRON: Yes.

14 MR. LEVIT: I don't have that on my calendar but I  
15 suppose we ought to check that. We ought to set a definite  
16 date.

17 MR. CRANSTON: Could we make it Tuesday?

18 MR. ANDERSON: You mean for February?

19 MR. CRANSTON: Tuesday for that and then Wednesday  
20 and then Thursday.

21 MR. ANDERSON: Then we get to Thursday and let's  
22 keep it there.

23 MR. LEVIT: Tuesday in February and Wednesday in  
24 March. Of course, it might be possible to change the  
25 meeting of the Pooled Money Investment Board.

26 MR. CRANSTON: Maybe, but we might as well do it now.

1 MR. LEVIT: Now, the next item on the calendar is  
2 the matter of permits, easements and rights of way to be  
3 granted to public and other authorized agencies pursuant  
4 to statute. I am advised that the consideration in each  
5 case is the use and benefit of the public and there are a  
6 series of these, which I will enumerate and give you the  
7 calendar pages on them.

8 The first is the State Division of Highways --  
9 permit to remove a maximum of 600,000 cubic yards of  
10 material for highway areas from shoal areas in San Francisco  
11 Bay. That's on page 4 of the agenda. I'll give you the  
12 page first, next time.

13 Second one is on page 33 -- involves the City of  
14 Los Angeles, a rock mound groin in Santa Monica Bay to  
15 prevent coastal erosion.

16 Gentlemen, please speak up if I am going too fast  
17 or if you have any questions or comments.

18 The next one is on page 34 -- involves the State  
19 Department of Fish and Game placing offshore artificial  
20 reefs ....

21 MR. ANDERSON: Which one is this?

22 MR. LEVIT: State Department of Fish and Game on  
23 page 34 -- placing offshore artificial reefs, for improve-  
24 ment of fish habitat.

25 Next one is on page 35 -- Ventura Port District --  
26 involves the construction of jetties and dredging of channel



1 in Pierpont Bay in conjunction with a boat harbor.

2 36 is the right of way to the Atchison, Topeka and  
3 Santa Fe Railway Company across vacant State school lands  
4 in San Bernardino County, which have been occupied by the  
5 railroad since 1911. Why is this up for renewal at this  
6 time?

7 MR. HORTIG: It is not for renewal, Mr. Chairman.  
8 This is the first time that the railroad has been requested  
9 to obtain this right of way and it resulted from the fact  
10 that we had an application to purchase the particular land  
11 and on appraisal the land was probably visited for the  
12 first time by a State representative and it was discovered  
13 much to the amazement of the railroad, that they were on  
14 State land.

15 MR. LEVIT: If we grant them a permit, how about  
16 the sale of the land?

17 MR. HORTIG: It must be subject to the existing  
18 railroad right of way, in accordance with the opinion of  
19 the Attorney General.

20 MR. LEVIT: In other words, the Attorney General  
21 says they have a prescriptive right there.

22 MR. HORTIG: In effect -- in practical effect.

23 MR. LEVIT: I think the opinion ought to be in the  
24 hands of the Commission if it isn't already.

25 MR. HORTIG: It is as of 1957. We have a numbered  
26 opinion, but whether I have the file .....

1 MR. GOLDIN: I can give you the formal opinion  
2 number if you wish.

3 MR. HORTIG: Well, we will make it available to  
4 the Commission.

5 MR. LEVIT: I was going to say -- this is a rather  
6 important matter if we are going to act on the assumption  
7 that the State has to do it.

8 MR. ANDERSON: Are you lumping this in as a public  
9 agency?

10 MR. LEVIT: Well, the Atchison, Topeka and Santa Fe  
11 Railway is obviously not a public agency.

12 MR. HORTIG: Note the heading is " ... other  
13 authorized agencies."

14 MR. LEVIT: Under what theory are they an authorized  
15 agency?

16 MR. HORTIG: Authorized to receive a permit at no  
17 fees pursuant to the opinion of the Attorney General.

18 MR. LEVIT: Yes. I think when you make up these  
19 calendars, anything out of the ordinary and of this kind  
20 ought to be placed in a separate portion of the calendar  
21 and flagged, with additional material given to the Commis-  
22 sion so that we can be in a position to make up our mind  
23 on it.

24 MR. HORTIG: Pursuant to that direction, Mr. Chair-  
25 man, may I suggest since this occupancy has been since 1911  
26 thirty days is not going to be vital and that action be

1 withheld in order that it may be recalendered by the staff  
2 in accordance with your suggestion.

3 MR. LEVIT: Any objection to that? (No response)  
4 If not, we will pull that one out.

5 Next is page 38 -- County of San Diego, removal of  
6 derelict pier. And this concludes those items relating to  
7 permits, easements and rights of way. What is your pleasure,  
8 gentlemen, with respect to those items (a), (b), (c), (d)  
9 and (f), omitting the action on the Atchison, Topeka and  
10 Santa Fe matter?

11 MR. ANDERSON: I'd like to ask a couple of questions  
12 on them now, just so I know how things have been done in  
13 the past. Take this page 33, item 7, the construction of  
14 the groin in the Santa Monica Bay area.....

15 MR. HORTIG: Yes.

16 MR. ANDERSON: Have all the groups concerned ...  
17 are they all aware of this, the effect that may have on  
18 the tidelands and everything?

19 MR. HORTIG: That the application is pending is  
20 publicly known. It has been discussed in master plans and  
21 public hearings by the public agency desiring to make this  
22 placement, and the permit which is authorized by law to be  
23 issued by the Commission pursuant to such authority is a  
24 revocable permit and revocation is based on any adverse  
25 effects of this construction; and the permittee agrees to  
26 remove it immediately on direction of the Commission in the

1 event there are adverse effects.

2 MR. LEVIT: Does that answer your question?

3 MR. ANDERSON: Yes -- in this construction anything  
4 that will affect the tides, the drifts, anything like that --  
5 are the adjacent communities advised of this construction?  
6 This happens to be Santa Monica Bay. I am thinking of the  
7 other cities they might affect.

8 MR. HORTIG: The adjacent communities have not  
9 been informed and under the same circumstances heretofore  
10 would not have been informed because the extent of the  
11 groin placement is so limited and the amount of area actu-  
12 ally being covered in connection with the City of Los  
13 Angeles' application, it is anticipated there will be no  
14 effect outside of Los Angeles lands. Additionally, the  
15 revocation feature of the permit is the protection. In  
16 the event the history shows that the study was not complete  
17 and there are effects outside the Los Angeles line, the  
18 removal of this groin can be ordered immediately.

19 MR. ANDERSON: I was thinking about the groins and  
20 backwaters down south. They haven't whipped it yet and it's  
21 been twenty years.

22 MR. HORTIG: That's correct. Those were primarily  
23 placed on granted lands and no revocation permitted, so  
24 they had no way of removing them or making modification.

25 MR. LEVIT: Are their specific statutes in the  
26 handling of these permits?

1 MR. HORTIG: Yes sir -- sections of the Public  
2 Resources Code.

3 MR. LEVIT: Do these require public notice?

4 MR. HORTIG: No sir. As a matter of public rela-  
5 tions, the staff have in all instances heretofore notified  
6 those in adjoining areas and particularly private land-  
7 owners have been made aware of pending applications, where  
8 areas were so small as to possibly be affected; but where  
9 it was reasonable to expect that there would be no effect  
10 outside the lands of the permittee, no public notice was  
11 given.

12 MR. LEVIT: Anything further?

13 MR. ANDERSON: I have no further objection -- no  
14 objection, I should say.

15 MR. LEVIT: If there is no objection to any of  
16 these items, they will be approved by unanimous consent of  
17 the Commission.

18 The next item involves permits, easements, leases,  
19 and rights of way issued pursuant to statute and established  
20 rental policies of the Commission. First one is on page 1  
21 of the calendar -- Standard Oil Company of California.  
22 This is an assignment of compensatory gas royalty agreement  
23 to Natural Gas Corporation of California. Perhaps, Mr.  
24 Hortig, you would care to tell us a little more about this  
25 so we will understand it better.

26 MR. HORTIG: Yes sir. The Public Resources Code

1 provides for the, or authorizes the issuance of compensa-  
2 tory royalty agreements in lieu of the actual drilling of  
3 oil and gas wells into State lands if the State lands are  
4 drained or threatened by drainage by means of wells drilled  
5 on private adjoining lands; and the zone of application,  
6 or the area of application, of this authority has hereto-  
7 fore been restricted to those areas where the State lands  
8 are limited in area or otherwise poorly located with respect  
9 to having a leasing potential, as in the case of McDonald  
10 Island, where there is an abandoned former arm of the San  
11 Joaquin River known as Whiskey Slough, which has been filled  
12 in by the adjoining potato farmers, and this abandoned  
13 slough has been found to be in the area of the McDonald  
14 Field. The slough is approximately eighty percent of the  
15 field and a compensatory agreement was entered into with  
16 the holder of the field, Standard Oil of California, for  
17 payment of the State's area proportion of the total value of  
18 the gas developed from that field; and it is this agreement,  
19 which has run from 1940, which the now holder, Standard Oil  
20 Company of California, proposes to turn over to another gas  
21 corporation, Natural Gas Corporation of California. All  
22 agreements and leases issued by the Commission are assigned  
23 only upon the prior approval of the State Lands Commission.

24 MR. LEVIT: Do we have any information on the basis  
25 on which the assignment is requested?

26 MR. HORTIG: No sir, other than ....

1 MR. LEVIT: Does this involve the possibility of  
2 trading in permits of the Commission to the profit of the  
3 lessees?

4 MR. HORTIG: It could be. However, the nominal  
5 requirements and conditions which have been reviewed on  
6 such assignments heretofore have been as to whether the  
7 proposed assignee has the qualifications to operate the  
8 basic agreement as originally issued and has the financial  
9 and other responsibility to meet any obligations that accrue  
10 under the agreement.

11 MR. LEVIT: This has been checked?

12 MR. HORTIG: This has been checked.

13 MR. LEVIT: And approved, and the staff is  
14 recommending ....

15 MR. HORTIG: Recommended the assignment.

16 MR. LEVIT: Any members of the Commission have any  
17 questions? (No response) The next item in this category  
18 is G.M.G. Corporation on page 2 -- an advertisement for  
19 competitive public bids for sand extraction in Carquinez  
20 Strait at a minimum royalty of three cents per cubic yard.  
21 This is what? -- an approval of an application to advertise  
22 the bids?

23 MR. HORTIG: This is an approval of authorization  
24 to the Executive Officer which would have been handled under  
25 prior delegations of authority and will again be handled  
26 under future delegations of authority as the Commission

1 designated them today -- simply to put into procedure the  
2 competitive bids authorized by law, bids to remove this  
3 sand, with the bids and recommendations thereon to be  
4 brought to the Commission for approval.

5 MR. ANDERSON: A company like this G.M.G. -- that  
6 becomes your minimum bid?

7 MR. HORTIG: No sir. They have requested that  
8 the lands be made available for bid.

9 MR. ANDERSON: If someone comes in higher, are  
10 they allowed to come up to that?

11 MR. HORTIG: No sir. The preferential right to  
12 the first applicant is applicable, under Commission rules  
13 and regulations, to applicants in the purchase of vacant  
14 State school lands. On all other procedures of the Commis-  
15 sion, the high qualified bidder is the lessee.

16 MR. ANDERSON: The first ....

17 MR. HORTIG: No -- the high qualified; if there are  
18 subsequent higher bids, the subsequent bidder. In other  
19 words, all these people have done by this application is  
20 to request the opportunity to bid on these lands.

21 MR. LEVIT: Item (d) is the California Electric  
22 Power Company on page 5 ....

23 MR. HORTIG: Excuse me, sir, did you cover both  
24 pages 2 and 3? There are two similar items.

25 MR. LEVIT: I am sorry -- a second G.M.G. Corpora-  
26 tion matter, which involves a similar matter for sand



1 extraction in Suisun Bay at a minimum royalty -- that's  
2 the same kind of thing?

3 MR. HORTIG: Identical except as to location.

4 MR. LEVIT: Page 5 -- two right of way easements  
5 across the Colorado River for telephone and power lines,  
6 total rental \$210.80. Did you have a lot of trouble arriv-  
7 ing at that figure?

8 MR. HORTIG: No sir. The Commission has established  
9 rental figures for rights of way based on the footage, the  
10 width, and the term of the right of way; and for 49-year  
11 easements not exceeding 400 feet in width the rental is  
12 15¢ per lineal foot and those in excess of 100 and not in  
13 excess of 200 it is 30¢ per lineal foot. Having the lineal  
14 footage, it is a simple matter of multiplication and it is  
15 standard and universally applied to all situations of the  
16 same character.

17 MR. LEVIT: The next item is the Connolly-Pacific  
18 Company, page 6 -- a one-year extension of dock site lease  
19 at a rental of \$50.

20 MR. HORTIG: Again, this \$50 is the minimum for leases  
21 of this type, as exists in the established policies of the  
22 Commission.

23 MR. LEVIT:  
24 Well, what do you mean by "the minimum"?

25 MR. HORTIG: The leases are issued on the basis of  
26 an annual rental rate, which is a percentage of the appraised  
value, but not less than \$50.

1 MR. LEVIT: I see.

2 MR. HORTIG: And in this case the calculated rental  
3 rate would have been less than \$50 because the area is so  
4 small and of such small rental value. This dock site is  
5 used by Connolly Pacific for removing rock from the Santa  
6 Catalina Island.

7 MR. LEVIT: Next item is page 8 -- Hooper Company,  
8 termination of contingent liability under leases named,  
9 14.1 ..... What is the significance of those numbers?

10 MR. HORTIG: These were issued in serial order of  
11 the issuance of leases, pursuant to the authority of Chapter  
12 69 of the Statutes of 1929, and are recited here as identi-  
13 fication to be certain that all leases in which C. A. Hooper  
14 Company have been involved pursuant to this statute are  
15 reflected in the action of the Commission; the basic problem  
16 being simply that C. A. Hooper Company have filed proceed-  
17 ings in dissolution, desire to dissolve the company and not  
18 have any tag ends.

19 MR. LEVIT: There is no existing claims against the  
20 company?

21 MR. HORTIG: Only from the State at the time when  
22 the proceedings were first filed, to be certain that the  
23 State's rights would be fully protected in the manner which  
24 it is proposed that the Commission protect them in this item;  
25 and if the Commission approves the procedure herein outlined,  
26 then it is also requested that we be authorized to request

1 rescission of the claim.

2 MR. ANDERSON: How long were the leases for?

3 MR. HORTIG: Forty years -- starting in 1930 to  
4 1970, and have flat options to renew at the option of the  
5 lessee at the 1930 rental rate; so we feel it is to the  
6 advantage of the State to relinquish on the one hand the  
7 contingent liability of C. A. Hooper, which we feel is off-  
8 set by the ability of the State to re-lease these lands at  
9 the current rental rates.

10 MR. ANDERSON: What have they been using them for?

11 MR. HORTIG: The representative for the C. A. Hooper  
12 Company is here. In general, they have been loading docks  
13 and they have been subleased to other organizations. Some  
14 of such subleases will be replaced by two leases in this  
15 section -- to Pacific Gas and Electric to have an adjunct  
16 to a power site and the Kaiser Gypsum Company to have a  
17 processing and loading area.

18 MR. ANDERSON: What kind of condition is the land in?

19 MR. HORTIG: The area which is to be relinquished to  
20 the State is actually in its original condition. Primarily,  
21 C. A. Hooper operated grazing lands and farming lands ad-  
22 joining.

23 MR. LEVIT: Mr. Hawkins, do you represent this  
24 company?

25 MR. HAWKINS: Yes, I do.

26 MR. LEVIT: Do you have anything to add?

1 MR. HAWKINS: I think the Executive Officer has  
2 explained it very well. I might point out these leases  
3 were made out under a peculiar statute, with 40-year terms  
4 with right on the part of the tenant to renew for 20 (sic)  
5 years without the State having any right to say anything  
6 about it. There is another peculiar quirk to it on use --  
7 the lessee could assign to anyone he wanted to without the  
8 right of the State to do anything about it. The statute  
9 was so drawn it was "the named lessee or his assignees".  
10 Those items were not looked upon with favor by the staff  
11 so we are giving up our right to renew so the new leases to  
12 P. G. and E. and Kaiser restrict the right to assignment,  
13 intercorporate assignment if the corporations are reorganized;  
14 otherwise, the State has a right to take a look at the  
15 assignee. Furthermore, they contemplate an assignment to  
16 the City of Pittsburg because there is a sale to the City  
17 of Pittsburg and it is assumed they will want the tide and  
18 submerged lands adjacent to the purchase.

19 So, the failure of the State to have any right to  
20 take a look at the assignee, and the State's complete lack  
21 of right to determine whether these leases should be renewed  
22 for an additional 20-year period, has been removed by this  
23 tentative agreement approved by the staff. Incidentally,  
24 that '29 law is not what the Commission operates under nor-  
25 mally now.

26 MR. HORTIG: But we have been bound by it up to now.

1 This is the first time we have had an opportunity to try  
2 to do something about it.

3 MR. LEVIT: Are there any further questions? I  
4 think I should say that you people who are present, who  
5 are here this morning, if any of you wish to be heard as  
6 we go over the calendar, don't hesitate to speak up.

7 The next item ..... There are several items involved  
8 in this Hooper matter and they also involve the issuance  
9 of the new leases that have been mentioned. The next item  
10 is the John Grant matter on page 28. This is a five-year  
11 grazing lease on 420 acres in Inyo County at a total rental  
12 of \$50. The next item .....

13 MR. ANDERSON: How do they set a figure on something  
14 like that?

15 MR. HORTIG: Nominally on the carrying capacity of  
16 the land for grazing animals, and actually only twenty acres  
17 of this land has even coarse vegetation and it is of such  
18 nature to possibly support, under the statement here - - -  
19 here it is, twenty head of cattle or horses grazing for six  
20 months out of a year, which is very meagre grazing land.

21 MR. LEVIT: Is this also based on a schedule? ...

22 MR. HORTIG: Yes sir.....

23 MR. LEVIT: ... that the Commission uses?

24 MR. HORTIG: ... and the \$10 is actually the annual  
25 minimum for a grazing lease, regardless of the appraisal  
26 value. These lands actually fall below the minimum calculated

1 value and fall below the minimum rental. They have been  
2 on lease before on this basis.

3 MR. LEVIT: Some time in the future if you have a  
4 chance to do it, it might be well to brief the Commissioners  
5 on these rental arrangements that have been adopted in the  
6 past, so that we can have a look at them.

7 The next one is Nyswonger Brothers -- an assignment  
8 of 9,872.29 acres of grazing lands ....

9 MR. CRANSTON: What page is that?

10 MR. LEVIT: I am sorry, page 29.... assignment of  
11 this grazing lease, Nyswonger Brothers to Fred Twisselmann.  
12 What is the situation there?

13 MR. HORTIG: From this item and the following item,  
14 Mr. Chairman, you will see that cattle raisers and grazers  
15 in the area are regrouping their holdings, because there is  
16 an assignment from Fred Twisselmann on other acreage he  
17 holds that is strategically located and that is being  
18 transferred to other holders in order to enable him to get  
19 this grazing land. However, these items are usually handled  
20 under delegated authority and particularly I want to direct  
21 the attention of the Commission to the fact that while we  
22 are talking about 9872 acres of land, its grazing value is  
23 such that the annual rental is \$98.72. It is again meagre,  
24 sparse-type grazing land. There are no substantial values  
25 involved in either of these transactions.

26 MR. ANDERSON: How long is this lease for?

1 MR. HORTIG: Initial period five years commencing  
2 on February 4, 1958, runs to 1963.

3 MR. LEVIT: What kind of land is this? Under what  
4 circumstances could the State hold title?

5 MR. HORTIG: All vacant State school land.

6 MR. LEVIT: School land. Suppose the State wanted  
7 to sell the school land?

8 MR. HORTIG: Then any existing grazing lease termi-  
9 nates ipso facto and if there are any advance rentals they  
10 are returned. You have another .....

11 MR. LEVIT: In other words, there is no restriction  
12 on the sale?

13 MR. HORTIG: If there is any desire to sell, they  
14 terminate.

15 MR. LEVIT: That is all of the grazing items. Next  
16 item -- page 31, cancellation of grazing lease because the  
17 land has been sold, refund of \$121.88 in unearned rental  
18 to the lessee -- and that, of course, is exactly what you  
19 were talking about.

20 MR. HORTIG: That's the situation.

21 MR. LEVIT: Next item is on page 32 -- Chester  
22 Compton assignment of recreational lease to Lloyd Clingman.  
23 Anything to add to that?

24 MR. HORTIG: This is a unique situation, if I may  
25 take a moment to explain it to the Commission.

26 MR. LEVIT: I think it is worthwhile taking a little

1 more time than usual because all three of us are quite  
2 new to this.

3 MR. HORTIG: I'd like to. Geographically, there  
4 is on the southerly boundary of the county, immediately  
5 north of Duarte, there is a canyon called Fish Canyon,  
6 which fortuitously fell in Section 16, which became a  
7 vacant school land section which fell to the State in the  
8 original grant.

9 This site has been desirable for recreational leases  
10 and the Commission has had numerous recreational leases in  
11 this area. There is an agreement pending by the U. S.  
12 Forest Service, whose lands completely surround this land,  
13 to take over this canyon, but we still have these leases  
14 which normally are for ten years. This item is something  
15 where the lessee wants to assign it. At the last meeting  
16 we had application from people who wished to relinquish  
17 their leases because their area had been washed out in  
18 various fires. This area is subject to that. In the agree-  
19 gate, this is not very much, but it is a desirable retreat  
20 for some people. It has the advantage you can't drive into  
21 it -- you have to hike into it, so it is quiet.

22 MR. LEVIT: What is the pleasure of the Commission  
23 with respect to the items in paragraph 4 which we have just  
24 reviewed?

25 MR. CRANSTON: No objection to them.

26 MR. LEVIT: That will be approved by unanimous



1 consent as recommended by the staff.

2 Next item - City of Long Beach, where approvals  
3 are required under Chapter 29 of the Statutes of 1956,  
4 First Extra Session. First item on pages 50 and 51 is the  
5 J. H. Davies Bridge -- expenditure by the City of \$200,083.65  
6 from City tideland funds to construct bridge approaches.  
7 Suppose you give us a little outline of that, will you?

8 MR. HORTIG: Yes sir. Chapter 29 of the Statutes  
9 of 1956, which authorizes certain administration, direction  
10 and review of Long Beach tideland operations by the State  
11 Lands Commission, specifies specific areas for which the  
12 City may spent tideland trust funds. In general, these  
13 are related to the harbor operations, oil operations, main-  
14 tenance of commerce and navigation. If the funds are ex-  
15 pended for alleviation of surface subsidence and are expended  
16 with prior approval of the State Lands Commission, then the  
17 City may withhold from future remittances to the State 25%  
18 of the cost of that project until the fateful day when the  
19 sum total of such approved projects will have accumulated  
20 to thirty million dollars, after which time the withholding  
21 or State contribution will be 50%. As to the portion of  
22 the tideland funds which are retained by the City under  
23 Chapter 29, the State still has general financial responsi-  
24 bility through the State Lands Commission to review, to  
25 determine that the types of expenditures are in accordance  
26 with Chapter 29, and are reasonable and proper; and it is

1 under this latter provision for approval of the Lands Com-  
2 mission, that the City here seeks approval for the expendi-  
3 ture of roughly, or exactly \$200,000 for the completion of  
4 approaches to a bridge which has already been built from  
5 other City funds, which bridge spans a new portion of a  
6 Marina project and which has been necessary because the  
7 Marina project has cut off other traffic arteries, and  
8 the Marina project in turn is another authorized area of  
9 expenditure for the City under Chapter 29.

10 MR. LEVIT: Any questions?

11 MR. HORTIG: I believe Mr. Ball is here in behalf  
12 of the City if there is anything further the City might  
13 present.

14 MR. LEVIT: I don't think he wants to make any  
15 argument unless he gets some opposition.

16 MR. BALL: I have nothing further to say.

17 MR. LEVIT: Second item -- 52, 53, 54 -- involving  
18 expenditures between January 29, 1959 and June 30, 1959.  
19 Of this amount 199,000 is estimated to be required for sub-  
20 sidence alleviation. Twenty-five percent would be deducted  
21 from oil and gas funds to the State.

22 MR. HORTIG: This item is in the category where  
23 the City is authorized by the Commission to expend tideland  
24 trust funds in designated areas for land surface subsidence  
25 alleviation where subsidence has occurred or for protection  
26 against future subsidence; and this specific item arises

1 from the fact that all of the projects of this type have  
2 heretofore been approved by the Lands Commission on a fis-  
3 cal year basis through June 30, 1959, but in operation under  
4 the approved project relating to Pier 2 and subsidence  
5 maintenance here designated, it has been found in the  
6 actual process of the project that additional expenses will  
7 be incurred amounting to the \$199,000 and prior approval  
8 of the Commission is being sought at this time in supplement  
9 to the project previously approved.

10 At this point I would like to explain to the Com-  
11 mission what have been standard reservations and conditions  
12 in approvals for projects of this type and the reason there-  
13 for. In reading the recommendation it is found that "It  
14 is recommended ....."

15 MR. LEVIT: Which page are you talking about?

16 MR. HORTIG: Page 52 is typical. It will serve  
17 for all of the same type. You will find that approval is  
18 recommended for costs proposed to be expended as indicated,  
19 subject to the conditions, however, that the amounts, if  
20 any, of each of the items to be allowed ultimately as the  
21 subsidence costs deductible under Chapter 29 will be deter-  
22 mined by the Commission on an engineering review and final  
23 audit subsequent to the time that any of the work on these  
24 items is completed; that the work conform in essential de-  
25 tails to the plans and background material heretofore sub-  
26 mitted to the Commission; and that the staff be authorized

1 to execute appropriate written instruments reflecting the  
2 Commission's approval. This procedure was developed out  
3 of sheer necessity when it was found to be utterly impos-  
4 sible to predict absolutely (and certainly not to the satis-  
5 faction of auditors) in advance exactly how much projects  
6 of this type were going to cost; so all Commission approvals,  
7 advance approvals, have been subject to a final review and  
8 final audit of these expenditures as of the time the work  
9 has been completed, at which time the various categories  
10 can best be determined and be determined in accordance with  
11 the actual values and not based on estimates.

12 MR. LEVIT: The approval isn't conditional -- it's  
13 merely the amount that is conditional.

14 MR. HORTIG: That is correct. There are, of course,  
15 two items involved in any of these projects -- first, the  
16 total expenditures that are to be undertaken and, secondly,  
17 how much of those total expenditures will qualify as sub-  
18 sidence deduction; and later in this agenda you gentlemen  
19 will have two items wherein these have been completed, have  
20 been reviewed, and the matters will be closed; and in one  
21 instance additional revenue is due the State. I might say  
22 that we have not closed any projects in which any further  
23 money has been due from the State.

24 MR. LEVIT: Any questions? (No response) Do you  
25 make any effort to check the estimates?

26 MR. HORTIG: Yes sir, we do. Before this particular

1 item came to the Lands Commission it had complete review  
2 by the engineering and auditing staff of the Commission  
3 located at Long Beach, was re-reviewed by headquarters  
4 staff before it is presented here for recommendation --  
5 even if it is on an estimated and subsequent audit basis,  
6 so that we agree with the estimates that have been pre-  
7 sented by our own knowledge; we can assert or certify that  
8 they are reasonable for the type of operation to be under-  
9 taken.

10 MR. LEVIT: Thank you. Next item is on pages 55  
11 and 56 -- Town Lot, Expenditures of additional \$41,000 be-  
12 tween January 29 and June 30, the subsidence portion to  
13 be determined. What is that?

14 MR. HORTIG: I appreciate the opportunity to review  
15 that very briefly. The general nature of the operation re-  
16 lating to acquisition of areas to be filled subsequently  
17 by the City of Long Beach is definitely within the purview  
18 of their authorization; but the degree to which the opera-  
19 tions and the manner in which they are to be carried out  
20 that can ultimately be assessed as having subsidence remedial  
21 value or not having subsidence remedial value has not been  
22 agreed upon between the City of Long Beach and the State of  
23 California. Primarily, this has been a matter of extensive  
24 discussion and continuing discussion between the Attorney  
25 General's office and the City attorney. Consequently, in  
26 order to not penalize the City in terms of not giving them

1 advance approval, which is required if they are ever to  
2 recoup any subsidence costs, the Commission has been pro-  
3 ceeding in connection with the selected projects in which  
4 the legal premises have not been completely established  
5 by giving advance approval with respect to the project in  
6 principle but without, as the recommendation says -- and  
7 this one is unique in that respect -- (approximately the  
8 lower third) "... provided that no estimate shall be  
9 presently made of the amount of subsidence deduction ulti-  
10 mately to be allowed ...." When our criteria are developed  
11 on which we can make that determination, then the staff will  
12 return to the Commission with recommendations for approval  
13 of this amount. In the meantime, the City is proceeding  
14 with these property acquisitions and the operations under  
15 this particular Town Lot project without withholding any  
16 moneys from the State for subsidence, but with the hope  
17 that ultimately they will be permitted to deduct an amount  
18 yet to be determined.

19 MR. LEVIT: The question of the right to make the  
20 deduction is now under consideration, is that it?

21 MR. HORTIG: Yes sir.

22 MR. LEVIT: And the Attorney General is satisfied  
23 that this wording protects the State in the event it is  
24 determined ultimately there is no right to make this  
25 deduction?

26 MR. GOLDIN: Yes, Mr. Chairman.

1 MR. LEVIT: Does Long Beach agree with that?

2 (No response heard by reporter)

3 MR. LEVIT: Next item is pages 57 and 58 -- 7th  
4 Street, storm drain, pump station, Pier A, Berth 6; final  
5 determination of allowable deductions for subsidence deduc-  
6 tions and additional credit due the State of \$187.53.

7 MR. HORTIG: If you gentlemen will refer to the  
8 tabulation on page 58, this outlines two projects on which  
9 advance approval has been given by the Lands Commission  
10 and on final review and audit it was found that on one of  
11 the projects an excess of subsidence deductions had been  
12 withheld by the City of Long Beach and, therefore, there  
13 is due the State \$187.53, upon which the full accounting  
14 records and full project will be cleared.

15 MR. LEVIT: Gentlemen, this concludes the Long  
16 Beach items. There are four of them. Is there any objec-  
17 tion to approval? (No response) If not, the item will  
18 be approved unanimously.

19 Item 6 -- Vacant school land. There are six of  
20 them. They are on pages 13 through 18 of the mimeographed  
21 calendar. I will just read the name of the applicant,  
22 the appraised value and the bid: Frederick R. Stowell -  
23 appraised value \$6,146 and the bid \$8,867.80; item (b),  
24 page 14 - Monroe, \$4800 both appraised value and bid; item  
25 (c), page 15 - James Smith and others, appraised value  
26 \$3,840, bid of \$5,536; item (d) Kahlo on page 16, appraised

1 value and bid both \$4,924.33; item (e), page 17 - Bergin  
2 and Smith, appraised value \$6,831.90 and bid \$8,915.63;  
3 item (f) page 18, Binando and others, appraised value  
4 \$3,794.88 and bid of \$5110.44.

5 How current are these appraisals, Mr. Hortig?

6 MR. HORTIG: Less than six months old, sir. If  
7 an application is received for land where an appraisal is  
8 older than six months, the appraisal is reviewed and up-  
9 dated.

10 MR. LEVIT: Who does the appraising?

11 MR. HORTIG: Staff appraisers of the Lands Division.

12 MR. LEVIT: What kind of land is this?

13 MR. HORTIG: It varies. In general, the majority  
14 of it, particularly in the southern counties, is of necess-  
15 ity the desert type of land. There are occasional parcels --  
16 I do not believe there are any on this particular tabulation --  
17 let me check -- carrying timberland. Are there any with  
18 timber land on this?

19 MR. SMITH: No.

20 MR. LEVIT: Are there any objections by the Com-  
21 missioners? (No response) If not, is there any objection  
22 to the acceptance of these bids? (No response) There be-  
23 ing no objection, the bids are approved by unanimous consent.

24 MR. CRANSTON: Is the general policy and procedure  
25 to simply wait until somebody comes along and asks to make  
26 a bid on State land, or is there any pushing of such lands



1 to attract attention to it?

2 MR. HORTIG: There has not been any pushing. The  
3 procedure has been to wait until someone comes along  
4 requesting it.

5 MR. LEVIT: Item 7 - sale of land selected by the  
6 State from the Federal government. There are two items.  
7 The first one (page 25) -- Dendinger, appraised value  
8 and sales price both \$4,592.25; second item - Lange, \$400  
9 both appraised value and sales price. I'd like to ask one  
10 question in connection with several of these. Several  
11 of these seem to follow a pattern where the sales price or  
12 bid price and appraised value are identical. How does that  
13 happen? Are the prospective bidders advised of the appraisal  
14 figure before they bid?

15 MR. HORTIG: Yes sir, as the minimum bid -- and then  
16 if there are no higher bids .....

17 MR. LEVIT: Do you make sure that all people that  
18 are interested get a chance to make a bid?

19 MR. HORTIG: Publication for thirty days in a news-  
20 paper of general circulation in the area where the land is  
21 situated.

22 MR. LEVIT: And you put the appraised value in as  
23 the minimum price?

24 MR. HORTIG: That's correct. So if there is no  
25 bid above appraised price, you have the coincidence.

26 MR. LEVIT: Well, it isn't a coincidence.

1 MR. HORTIG: No. There is a variance on that in  
2 these items you are considering now, in the Federal lands,  
3 in that these lands are not sold pursuant to public com-  
4 petitive bidding but are sold at the appraised price, the  
5 appraised price and the sale price are the same value.  
6 That is the reason you have two different headings --  
7 State vacant school lands and Federal lands. These items  
8 you are considering on pages 26 and 27 are pursuant to a  
9 procedure on which we have many pending applications but  
10 on which there has been a two-year moratorium on receipt of  
11 further applications because it is not clear that we are  
12 going to have sufficient State lands to enable us to con-  
13 tinue this procedure or even accept all applications we  
14 have accepted heretofore. There are no general statutes  
15 for direction of sale of lands to an individual. There is  
16 an involved procedure, wherein a person may apply to the  
17 State, indicate the piece of land he would like; then  
18 there is inquiry to the Federal government whether they  
19 will trade with the State on paper on these particular  
20 lands, and on acquiring the Federal lands the State then  
21 sells the land to the original applicant.

22 MR. LEVIT: Is that the way ....

23 MR. HORTIG: That is the way these two are being  
24 processed.

25 MR. LEVIT: So they involve a trading deal with the  
26 Federal government.

1 MR. HORTIG: That is correct.

2 MR. LEVIT: And I assume the appraised value we  
3 get from the Federal government is equal ...

4 MR. HORTIG: Unfortunately, no. There are two  
5 methods of acquiring land from the Federal government --  
6 An exchange under what is designated under Section A of the  
7 Taylor Grazing Act, which is our only exchange with the  
8 Federal government whereunder with the approval of the  
9 Department of Interior we can exchange State lands of equal  
10 value for Federal lands of equal value; or the second pro-  
11 cedure, and the one here being invoked in both of these  
12 procedures which are under the moratorium, in the event of  
13 lieu land applications wherein the State can select lands  
14 that the State is entitled to by reason of losses in State  
15 school lands -- in other words, lands they did not receive,  
16 lands not yet surveyed, or lands which subsequently became  
17 embraced in military reservations, or a host of other pro-  
18 visions. In the event we can make lieu lands exchanges,  
19 the lands are of equal acreage without any reference to the  
20 value. We have been fortunate in many events in getting  
21 lands which were of greater value.

22 MR. LEVIT: Any other questions in connection with  
23 this? (No response) Is there objection to the approval  
24 of the two matters under item 7? (No response) If not,  
25 they will be ordered approved.

26 Item 8 - Approval of selection of Federal lands and

1 sale pursuant ... this is page 24 .... approval of selec-  
2 tion of Federal lands and sale pursuant to State land regu-  
3 lations. Original applicant withdrew. What does that  
4 mean?

5 MR. HORTIG: This is a situation identical with  
6 the indemnity land selection applications we just outlined  
7 under the preceding item, but after we had gotten to the  
8 point of having selected the desired Federal lands, our  
9 purchase applicant withdrew his application; and authority  
10 is being requested here to complete this selection on be-  
11 half of the State and title to the Federal land will vest  
12 in the State and thereafter the lands would be placed on  
13 our school land list, the same as our normal State school  
14 lands. This is a means of augmenting the supply of lands  
15 for sale, to the benefit of the State.

16 MR. LEVIT: Is there any objection to item 8?  
17 (No response) If not, it will be approved.

18 Item 9 - pages 44 to 49. This is an authorization  
19 for submittal of legislation to eliminate certain obsolete  
20 statutes without affecting any vested rights, legislation  
21 to be drafted by Legislative Counsel and to be processed  
22 only pursuant to an opinion of the Attorney General as to  
23 concurrence on the obsolete statutes to be repealed and  
24 that no vested rights will be disturbed by the proposed  
25 statutory modifications. What is the status of U. S legis-  
26 lation? Has it been drafted yet?

1 MR. HORTIG: Yes sir. And may I make a further  
2 amendment? On Page 48 there is a reference to Government  
3 Code Section 13110, in which there had been a staff recom-  
4 mendation for amendment. On further discussion with the  
5 staff and the Department of Finance, procedures have been  
6 developed where the goal sought to be achieved by this  
7 statutory amendment is going to be accomplished by staff  
8 cooperation. Therefore, it is suggested that our recommenda-  
9 tion for Section 13110 be deleted and there will be no legis-  
10 lation presented relative thereto.

11 Now, with respect to your specific question, Legis-  
12 lative Counsel drafts of the legislation as proposed herein  
13 have been completed. As of this morning we are also in re-  
14 ceipt of Attorney General's opinions with respect to the  
15 fact that statutes are either obsolete -- proposed modifica-  
16 tions relate to statutes that are either obsolete or the  
17 modifications will not affect any vested rights, with the  
18 exception of three sections which were included in the  
19 drafting by the Legislative Counsel in order to give a more  
20 complete legislative picture (the Legislative Counsel's  
21 office felt) and on which sections the opinion of the  
22 Attorney General had not heretofore been requested; but we  
23 feel certain that since they are in the same context, in  
24 the same group, that upon inquiry the same opinion will be  
25 forthcoming with respect to the sections which were drafted  
26 by the Legislative Counsel's office.

1 MR. LEVIT: I thought ... I misunderstood you. I  
2 thought you received an opinion from the Attorney General's  
3 office this morning on these new sections?

4 MR. HORTIG: No. On all that is proposed here.

5 MR. LEVIT: Oh, I see. Well, when would these be  
6 introduced and by whom?

7 MR. HORTIG: If approved by the Commission, this  
8 afternoon; because they have been reviewed with the Governor's  
9 Departmental Secretary and have been cleared. The general  
10 land sales procedure clarifications would be introduced by  
11 Senator Stanley Arnold of Lassen County, who also has an  
12 interest and has had heretofore in land title legislation  
13 that the Lands Commission has processed. The elimination  
14 of an obsolete statute, which in practical effect has here-  
15 tofore only related to Owens Lake in Inyo County, would be  
16 introduced by Senator Brown, because it is in his district;  
17 and the elimination of erroneous omission of statutory  
18 language in the 1957 amendment to the Public Resources Code  
19 would be introduced by Assemblyman Allen Miller, who worked  
20 on the particular section that resulted in the omission.

21 MR. LEVIT: What is the pleasure of the Commission  
22 with respect to approval of the introduction of these items  
23 as departmental Commission bills? If there is no objection  
24 we will approve the item.

25 MR. ANDERSON: Do we get to see these things before  
26 they are submitted?

1           MR. HORTIG: You certainly can, sir. I am now  
2 informed that we have until Tuesday to get departmental  
3 bills in.

4           MR. LEVIT: There is a joint rule of the Senate  
5 and the Assembly that departmental bills have to be intro-  
6 duced by the 4th of February. I think it's on a 30-day  
7 basis and the 4th of February will presumably be the last  
8 day for introduction of these bills. I would assume that  
9 these bills are all of a minor character and for formal  
10 corrections in the statutes. However, we could do this in  
11 either one of two ways, Governor, whichever you prefer.  
12 We can approve it now and you could look it over and we  
13 could hold up anything that bothers you from actual sub-  
14 mittal; or we could pass this item until later. We can  
15 take a recess and look at the bills.

16           MR. ANDERSON: I would have no objection to passing  
17 them with the understanding that we can see them before  
18 they are presented, because I know how these are presented  
19 on the floor. When they present them, they say they present  
20 them with the approval of the Lands Commission and if we  
21 haven't looked this over it doesn't mean much. I realize  
22 most of it is just getting something off the books.

23           MR. LEVIT: Suppose we do this: When we complete  
24 our calendar -- let's pass this item for now -- when we  
25 complete our calendar we will take a short recess and look  
26 them over. Do you have the bills here, by the way?

1 MR. HORTIG: I can have by the time you take the  
2 recess. We have them in the office.

3 MR. LEVIT: How would it be to do this to expedite  
4 the matter -- suppose we approve these now, with the under-  
5 standing that you will get them immediately following the  
6 meeting and if any member of the Commission has any objec-  
7 tion to a particular bill that it will not be introduced  
8 until that objection is approved?

9 MR. HORTIG: In other words, the staff will with-  
10 hold actual delivery and request for introduction until we  
11 have full clearance from Governor Anderson?

12 MR. LEVIT: That's right. Is that satisfactory?

13 MR. ANDERSON: It is with me, if it is satisfactory  
14 with you.

15 MR. LEVIT: All right. If there is no objection  
16 we will approve these on that understanding.

17 Item 10 is on pages 9 and 10, involves the extension  
18 to December 31, 1961 of a withdrawal from public sale of  
19 certain vacant State school lands for the benefit of the  
20 State Department of Water Resources. Does that require any  
21 comment? I think not. It seems clear.

22 MR. HORTIG: Water Resources has study problems in  
23 the area. They are lands that might possibly and ultimately  
24 should be devoted to State purposes and they simply request  
25 that we withhold ...

26 MR. LEVIT: We have been passing these separately.



1 If there is no objection Item 10 will be approved.

2 Item 11 on pages 19 and 20 -- authorization to the  
3 Executive Officer to waive preferential right to the selec-  
4 tion of certain lands until completion of selection and  
5 valuation program.

6 MR. HORTIG: By reason of amendment of Federal  
7 statutes over which we have no control, which were approved  
8 in August 1958, new procedures have been adopted by the  
9 Department of Interior in giving the State a six months'  
10 preferential right to review for selection any lands that  
11 are restored to public entry by the United States Depart-  
12 ment of the Interior. This would involve a procedure for  
13 exercising our rights and filing applications of the type  
14 that I indicated are already under the moratorium which has  
15 been in existence for two years, though there is no regular  
16 program at the present time that the State would exercise in  
17 connection with this preferential right.

18 The Bureau of Land Management, in a desire to get  
19 some of the things processed and out of their way, would  
20 prefer, if the State is not going to exercise the preferential  
21 right, that they issue waivers to that preferential right  
22 in order to speed up the time when the lands can be processed  
23 further; and the majority of these restorations at the present  
24 time are being made for the benefit of and at the applications  
25 of private citizens who desire to acquire the particular  
26 piece of land. If we let the normal processes go through

1 it means there is another six months' waiting period while  
2 the private citizen waits for the waiver of preferential  
3 right to expire and the Commission isn't in a position to  
4 go into this now. So it is suggested there be interim  
5 authority to waive this preferential right until completion  
6 of a regular program for selection and evaluation. This  
7 is complicated, too, by the succeeding item which we dis-  
8 cussed with you gentlemen, which relates to apparent  
9 statistical unavailability of the types of land we would  
10 have to waive to the United States.

11 Since we don't know whether we have the sort of  
12 cash in the bank to exercise the right, it does not seem  
13 that we should make these people wait for an automatic  
14 period to pass.

15 MR. LEVIT: Any objections? (No response) If not,  
16 the item will be approved.

17 Page 21 -- authorization to the Executive Officer  
18 to amend and complete existing indemnity selection applica-  
19 tions necessitated by the 1958 amendment of the Federal  
20 statutes.

21 MR. HORTIG: Another facet of the same over-all  
22 problem in connection with our selection procedure and  
23 authority to select Federal lands. The authorities for  
24 such selection were restricted by Federal amendments approved  
25 in August 1958 and consequently many of the applications  
26 which the Commission had on file for processing, but which

1 had not been completed, are now being held by the Federal  
2 authorities for amendment by the State in order to meet  
3 statutory requirements; and the types of land they will  
4 accept in exchange for these Federal lands are more re-  
5 stricted and of this particular type we have approximately  
6 15,000 acres on the books and it is felt equitable that  
7 the first application of the 15,000 acres should go to  
8 amending and making whole the applications which we had  
9 had already pending on behalf of citizens with the Depart-  
10 ment of Interior -- some of them for many years, yet in  
11 midstream they changed the rules on us and the only way  
12 to complete those is to comply with the new rule because  
13 the Department of Interior proceeds on the basis that any  
14 application not completed has no status and must comply  
15 with the then existing statute. It is virtually, as we  
16 see it, ex post facto but this is what is happening to us.

17 MR. LEVIT: Any objection to approving Item 12?  
18 (No response) If not it will be approved.

19 Item 13 -- page 22 and 23, authorization to issue  
20 patent for land paid for previously, pursuant to Attorney  
21 General's opinion that the land has now been forfeited and  
22 any claims are uncollectible.

23 MR. HORTIG: This one is an item relating to pages  
24 of the most fantastic allegations that run into nothing  
25 that we have run into in a long time. The normal procedure  
26 years ago was to issue a certificate of purchase, which was

1 prima facie evidence of title and subsequently on surrender  
2 of the certificate of title and patent fees, a document was  
3 issued signed by the Governor of the State, etcetera. In  
4 this particular application the certificate of purchase  
5 was issued, everything was paid up to the date of purchase,  
6 and nothing more was heard from the applicant for many  
7 years. The Surveyor General's office decided, in conjunc-  
8 tion with the advice of the Attorney General, that possibly  
9 the interest should have been paid for the full year rather  
10 than up to the date when it was paid, so there was a slight  
11 cloud on the title and we now have an application to issue  
12 the patent. In order to dispose of this matter of whether  
13 \$10.33 of interest due back in 1900 should be collected or  
14 is a bar to the issuance of the patent, we had it reviewed  
15 by the office of the Attorney General and came up with the  
16 logical conclusion that we are probably estopped from  
17 collecting it, that there was no forfeiture if there was  
18 a defect, and the Commission is within its purview to  
19 delegate the staff to issue the patent and clear this title.

20 MR. LEVIT: Any objection? (No response) If not,  
21 this item will be approved.

22 Item 14, page 37 -- notification to the City of  
23 Oxnard of the valuation of tide and submerged lands within  
24 a proposed annexation area as required by the Government  
25 Code.

26 MR. HORTIG: This is one of the miscellaneous

1 recent authorities and responsibilities of the Lands Com-  
2 mission as designated by the Legislature in 1958 statutory  
3 amendments. Prior to Section 35313.1 of the Government  
4 Code, annexation proceedings required a showing as to  
5 objection of more than 50% -- by the owners of more than  
6 50% of the value of the lands proposed to be annexed; and  
7 there was a circumstance of a proposed annexation by the  
8 City of Santa Barbara in which the State Lands Commission  
9 felt that it should object as the majority of the lands  
10 proposed to be annexed were tide and submerged lands under  
11 the jurisdiction of the State Lands Commission. The  
12 Lands Commission felt that the value thereof must well  
13 exceed the 50% of the total value. The City of Santa  
14 Barbara proceeded unilaterally that this was not the case  
15 and proceeded with the annexation, which the Attorney  
16 General has been in court with since. Legislators decided  
17 there was a defect in the statute and thereafter, after  
18 the annexation of the Santa Barbara lands, if there is a  
19 proposal by a city to annex lands and they are tide and  
20 submerged lands, that the agency deciding the valuation of  
21 the lands to be annexed shall be the State Lands Commission,  
22 who shall make the valuation and shall convey that valua-  
23 tion to the group proposing to make an annexation.

24           The City of Oxnard is proposing to annex approxi-  
25 mately a thousand acres of tide and submerged lands adjoin-  
26 ing their upland city limits. A staff evaluation has been

1 made. There does not seem to be any objection -- for Lands'  
2 Commission objection per se, and, therefore, it is proposed  
3 in accordance with the requirement that the Lands Commission  
4 evaluation of the tide and submerged lands be advised ...

5 MR. LEVIT: What is the valuation?

6 MR. HORTIG: \$208,000.

7 MR. LEVIT: What about the mineral rights?

8 MR. HORTIG: Mineral rights are not affected.

9 There is no transfer of title.

10 MR. LEVIT: What are they paying for them?

11 MR. HORTIG: They do not pay. This is just an evalua-  
12 tion.

13 MR. LEVIT: I see. This is an evaluation of how  
14 much is involved for the purpose of making an objection  
15 on the 50%.

16 MR. ANDERSON: Is it a normal policy for cities to  
17 annex lands -- tidelands?

18 MR. HORTIG: It has been the normal policy for the  
19 Commission up to date.

20 MR. ANDERSON: And is it under our control -- what  
21 will happen on those tidelands?

22 MR. HORTIG: In connection with this, we have an  
23 exact counterpart -- and our lessees in the counterpart are  
24 in the room -- the City of Seal Beach tried to restrict the  
25 type of operations under a State oil and gas lease and the  
26 Superior Court corrected that and pointed out that the lands

1 were under the State Lands Commission.

2 MR. ANDERSON: So after annexation by the City of  
3 Oxnard in this case, they couldn't object to drilling or  
4 use of the lands which the State Lands Commission would  
5 approve?

6 MR. HORTIG: They could, and they could even with-  
7 out annexation; because under the present provisions of the  
8 Public Resources Code before the Commission can consider  
9 the offer of an area of tide and submerged lands for lease,  
10 the adjoining cities and areas must be notified to deter-  
11 mine what terms and conditions can be included in the lease  
12 to protect shoreline recreational activity on that property.  
13 So, whether or not they are in the city limits, if they  
14 are geographically adjoined, they could have objection.

15 MR. LEVIT: I have another question and I should  
16 probably direct it to the Attorney General. If the total  
17 area to be annexed is such that the value of the tidelands,  
18 submerged and tidelands involved, is less -- could we do  
19 anything about it anyway?

20 MR. HORTIG: The staff answer to that is "no."  
21 That is, not as a matter of legal authority.

22 MR. LEVIT: You said a minute ago that an objection  
23 by owners of 50% of the area of the land proposed to be  
24 annexed would be sufficient to stop the annexation.

25 MR. HORTIG: I understood your question to be: If  
26 the tidelands were less than 50%, could we do anything else.

1 MR. LEVIT: Nothing except to join with others ...

2 MR. ANDERSON: ... to stop them.

3 MR. GOLDIN: Mr. Chairman, the City may be guided  
4 by the evaluation, but they may also by statute refuse to  
5 be so guided; and if the City so refuses, there is a  
6 statutory provision for a declaratory relief action to  
7 which the State Lands Commission is made a party, in order  
8 to determine the value of the lands and then the court  
9 determination is conclusive upon the City's legislative  
10 body.

11 MR. LEVIT: And this is only for the purpose of  
12 determining whether 50% of the lands is making objection.  
13 Does it serve any/<sup>other</sup> purpose at all, this evaluation?

14 MR. GOLDIN: Not that I am aware.

15 MR. LEVIT: Is it correct to say that if 50%, that  
16 if owners of 50% value of the land proposed to be annexed  
17 do object that then the annexation is finished, can't be  
18 done?

19 MR. FRIEDMAN: That is under the uninhabited terri-  
20 tory -- 50% of the owners have an absolute veto power.

21 MR. LEVIT: Then one of the important factors in  
22 this is whether we do or do not have 50% of the land?

23 MR. HORTIG: Which is important only if there is a  
24 decision to recommend to the Commission that there be an  
25 objection.

26 MR. LEVIT: Of course, that's which came first --



1 the chicken or the egg. I agree with you, but also it  
2 seems to me if we know the value of our land is less than  
3 50% and there is no other substantial objection in the  
4 area, then there is no use considering whether we should  
5 object or not.

6 MR. ANDERSON: By the same token, we could bring  
7 others in and bring people in to force the city ....

8 MR. LEVIT: They are not people, of course.

9 MR. ANDERSON: .. the land's adjacent to that ...

10 MR. LEVIT: How much is involved there? How much  
11 of a piece are they taking, do you know? Your point is in  
12 this case, Mr. Hortig, that there wouldn't be any point to  
13 an objection anyway?

14 MR. HORTIG: The primary situation is this: that  
15 it is desired to bring in a shoestring strip from the exist-  
16 ing City of Oxnard down to include a beach area which is  
17 much larger in area than the small parcel of tide and sub-  
18 merged lands; the answer being a recreational beach and to  
19 have a proper exercise of police powers in connection with  
20 the waters, it is requested that this small portion be  
21 annexed.

22 MR. ANDERSON: Are any of these people objecting?

23 MR. CRANSTON: Have they been given full notice?

24 MR. HORTIG: They have been given full notice.

25 There is a resolution of the City Council and publication  
26 and public hearing.

1 MR. ANDERSON: How do you determine the value of  
2 this submerged land?

3 MR. HORTIG: On the basis of known and not known  
4 mineral value, and the value of it as submerged acreage in  
5 proportion to other areas in similar state of development  
6 on which we have had sales appraisals and where we have had  
7 equivalent values or comparable values on beach adjoining.

8 MR. LEVIT: Is this considered to be minerally  
9 productive land?

10 MR. HORTIG: No.

11 MR. FRIEDMAN: A matter which is probably abstract  
12 in this particular case but which would be of some interest  
13 in other cases concerns interference with the city's police  
14 powers, because there is the Seal Beach case which says  
15 they have no police powers; but would provide an avenue to  
16 the city to assess ad valorem taxes to the lessee or subject  
17 the State to a license tax of some sort.

18 MR. LEVIT: You are suggesting that this, of course,  
19 might be a very definite disadvantage to the State if it  
20 were determined to lease the State land subsequently for  
21 mineral purposes.

22 MR. FRIEDMAN: Yes. Frank, do cities and counties  
23 levy taxes on ....

24 MR. HORTIG: There is a county mining tax and many  
25 cities, notably Huntington Beach, have devised numerous  
26 bases for levying taxes on the State's lessees even prior

1 to the time that the city limits encompassed the leased  
2 land, because tidelands oil has one thing in common -- you  
3 have to bring it ashore somewhere and as soon as you are  
4 ashore they catch it there if they don't catch it in the  
5 tidelands.

6 MR. LEVIT: What conclusion would you draw from  
7 that, Mr. Friedman?

8 MR. FRIEDMAN: Well, simply that some annexations --  
9 and this is a general abstract statement -- some annexations  
10 may be directed for the purpose of imposing an economical  
11 burden.

12 MR. LEVIT: It doesn't seem to have much applica-  
13 tion here?

14 MR. FRIEDMAN: No. I said it was abstract here.

15 MR. HORTIG: In the Santa Barbara area, of course,  
16 we took into consideration the fact the potential annexa-  
17 tion area was potential oil land and many miles were coast  
18 line.

19 MR. LEVIT: In other words, here all we have to do  
20 is notify the City of the valuation?

21 MR. ANDERSON: Can the valuation of the property  
22 here be used to offset other people's property on that basis?

23 MR. HORTIG: Lacking any statement by the Commis-  
24 sion, I presume this -- the converse of what I am about to  
25 say must be true. If the State Lands Commission evaluation  
26 should be more than 50% of the value and the Commission

1 desired to object, we assume this would block the annexa-  
2 tion. Conversely, an evaluation of the Commission and no  
3 objection assumably can be utilized by the annexing group  
4 as a lever.

5 MR. ANDERSON: I think before we give any approval  
6 on these annexations, we should know if there are any objec-  
7 tions. I can see where they could bring all the others  
8 in. We could be used on the annexation against other  
9 people's desires. I think we ought to know.

10 MR. LEVIT: Don't you think it is quite likely,  
11 Governor, that if there was any substantial objection we  
12 would have heard about it because we would have been asked  
13 to join in it?

14 MR. ANDERSON: Well, would we?

15 MR. HORTIG: Normally this is the case because  
16 statutes on annexation indicate reference to the Commission  
17 and in those instances where people objected notably to the  
18 annexation they were here to seek aid in the opposition to  
19 the annexation. The only people we have heard from in con-  
20 nection with this is the City Council of the City of Oxnard.

21 MR. ANDERSON: Then we assume there is no real  
22 opposition on this?

23 MR. HORTIG: Well, we have heard of none.

24 MR. LEVIT: I think it is a fair assumption that  
25 if there was we would have heard of it. If there is no  
26 objection to No. 14, it will be approved.

1 MR. LEVIT (continuing): Number 15 -- page 39 --  
2 approval of a correctory survey of land sold by the State  
3 previously is required by Public Resources Code 7952. Do  
4 you have any comment on this one, Mr. Hortig?

5 MR. HORTIG: No sir. This is a matter of title  
6 clarification usually with respect to areas of tidelands  
7 sold by the State many years ago; and the statutes still  
8 provide that if the original plat or field notes cannot be  
9 deciphered currently or can be proven to be incorrect, then  
10 after a map or plat or field notes constituting a resurvey  
11 have been made the field notes or plat shall be submitted  
12 to the Commission for approval. In connection with the  
13 tidelands sold in San Luis Obispo County, this has been done  
14 by a registered land surveyor. The application has been  
15 made by the owners of the land for approval of the field  
16 notes and map and these have been given technical review by  
17 the staff and found to be correct, and the approval of the  
18 Commission thereto is sought under the applicable section  
19 of the Code.

20 MR. LEVIT: Any objection? (No response) If not,  
21 No. 15 is approved.

22 Number 16, pages 59 through 68 -- confirmation of  
23 actions of Executive Officer and issuance of permits, leases  
24 and other authorizations pursuant to prior delegations of  
25 authority. Now, as I understand it, Mr. Hortig, this is a  
26 matter that normally is not put on the calendar at all.

1 These are acts done by the Executive Officer in the normal  
2 course of his everyday duties under the delegations of  
3 power and general authority that he has from the Commission,  
4 but they occurred since the last meeting of the Commission  
5 and in view of the fact that this is a new commission you  
6 are merely asking for pro forma approval by the Commission.  
7 Am I correct or not?

8 MR. HORTIG: With one modification, if I may, Mr.  
9 Chairman. This represents a tabulation of the types of  
10 items processed under delegation of authority prior to  
11 January 5th.

12 MR. LEVIT: How long before January 5th?

13 MR. HORTIG: After December 11th, the last meeting  
14 of the Lands Commission, up to January 5th....

15 MR. LEVIT: I see.

16 MR. HORTIG: ... and represents a tabulation of  
17 those actions completed of the type that are on this agenda  
18 that you gentlemen have been considering that would normally  
19 be completed under delegations of authority and there would  
20 normally be expected to be a similar item on each agenda  
21 relating to transactions completed under delegations of  
22 authority by the Executive Officer during the preceding  
23 month, with a resolution as it appears on page 68 recommend-  
24 ing that the Commission confirm the actions of the Executive  
25 Officer as thus reported.

26 MR. LEVIT: I am sort of allergic to these blanket

1 approvals of this kind. It seems to me they become a  
2 formality and they have the effect of throwing everyone  
3 off guard. If Commission approval is not required and  
4 you act under a delegation of authority by the Commission,  
5 then I would think that merely a report to the Commission  
6 each month of the actions you have taken pursuant to dele-  
7 gations of authority would be sufficient and, in fact,  
8 preferable to the other method. I don't know how the  
9 other Commissioners feel about it, but that's my own feeling.

10 MR. HORTIG: If I may concur with your thinking,  
11 Mr. Chairman, with an additional suggestion stating this  
12 is the procedure which has been heretofore used but it is  
13 certainly susceptible to review and I, too, feel a clear-  
14 cut authorization that led to the end point and then back  
15 to the Commission would be the desirable procedure. Either  
16 by reason of insufficiently clear language in some of the  
17 original delegations of authority or for some other techni-  
18 cal reason, it had been felt heretofore that to remove the  
19 last doubt that these things had been done prior to reso-  
20 lution (which is a requirement of the Code), that a reso-  
21 lution would resolve all doubts. On the other hand, I  
22 think you could accomplish this and I think the staff would  
23 like to undertake a study with the Attorney General's office  
24 and refer back to the Commission what language, what form  
25 of resolution the Commission could take to completely dele-  
26 gate such problems to the staff. That would solve the

1 whole problem.

2 MR. LEVIT: Of course there are at least two dif-  
3 ferent types of items involved here. You have mentioned  
4 some may require Commission approval. Those items that  
5 require Commission approval should be reported to the Com-  
6 mission and acted upon just the same way as the matters we  
7 have passed on today; except that in addition to the  
8 material you have given us, you would advise us that you  
9 have already acted on those matters pursuant to delegation  
10 of authority and subject to approval of the Commission.

11 MR. HORTIG: If I follow that theory, sir, inasmuch  
12 as the Code requires approval by resolution -- technically  
13 all the items here require Commission approval ..... The  
14 question was whether to have the basic work done under the  
15 delegation of authority to the Executive Officer and con-  
16 firmed by the Commission or, coming back to your thought,  
17 if everything that requires the Commission's approval  
18 should come to the Commission as a calendar item, then this  
19 agenda is going to be upwards of a hundred pages at every  
20 meeting.

21 MR. ANDERSON: Would it be difficult for him to  
22 tell us briefly what these are, without going into this  
23 too much?

24 MR. LEVIT: It would probably take quite a while,  
25 but I would like to suggest a little different procedure.  
26 As I understand it, all these items on this portion of the



1 calendar are routine, is that correct?

2 MR. HORTIG: Yes sir, in the sense that they are  
3 repetitive and in accordance with standard procedures.

4 MR. LEVIT: Governor, my suggestion would be that  
5 instead of taking the time to do that today that we approve  
6 these matters as requested by the staff, but that we ask  
7 the staff to reconsider the method of handling these matters  
8 in toto this way and see if we can't divide them into those  
9 matters that require Commission approval and those matters  
10 under which you act under delegation of authority, where  
11 approval is not required, if there are any s h. I am a  
12 little surprised by the way you put that ....

13 MR. HORTIG: Perhaps you do not understand the  
14 delegation of authorities. Under the delegation of authori-  
15 ties, the Executive Officer is authorized to issue permits,  
16 easements, licenses, that can be in accordance with estab-  
17 lished policy and rental rates of the Commission.

18 MR. LEVIT: A delegation of authority doesn't mean  
19 a thing unless it's binding. What is the use of a delega-  
20 tion of authority that says you can do it but the Commission  
21 has to approve it? That isn't a delegation of authority.  
22 I think we ought to have an opinion from the Attorney General  
23 on this point to see where we stand on it. I am not familiar  
24 enough with the statutes under which the Commission operates  
25 to know whether there can be a delegation of authority on  
26 any matter of formal substance; and if it is not a matter of

1 formal substance and therefore does not require Commission  
2 approval, then I say it should never be reported to the  
3 Commission by the staff and the Commission should not be  
4 asked to approve it. My suggestion would be, gentlemen,  
5 that we approve this item and that we request the staff  
6 and the Attorney General to advise us further as to pos-  
7 sible change in this procedure.

8 MR. CRANSTON: I so move.

9 MR. LEVIT: If there is no objection that will be  
10 the order.

11 MR. CRANSTON: Let me ask a question. Which por-  
12 tion of this document as to the delegation of authority  
13 touches upon this?

14 MR. HORTIG: All of it.

15 MR. CRANSTON: I don't find anything in this relat-  
16 ing to the size and the scope of the individual actions  
17 involved. Is there any limitation on that?

18 MR. HORTIG: There is a limitation as to the  
19 amounts of service contracts that may be entered into by  
20 the Executive Officer without additional authorization  
21 from the Commission; and in paragraph 14 on page 3 of that  
22 delegation you will find: "Limitations: The authority  
23 granted to the Executive Officer to initiate, execute and  
24 issue leases and permits of various kinds or renewals,  
25 modifications or terminations thereof, shall be limited to  
26 noncontroversial cases involving annual rentals or fees of

1 not in excess of \$600 or appraised valuations not over  
2 \$10,000. All other cases shall be submitted to the Com-  
3 mission for final action."

4 MR. CRANSTON: That answers my question.

5 MR. LEVIT: Gentlemen, that concludes our calendar  
6 this morning. I understand the City of Long Beach desires  
7 to present certain matters not on the calendar. Before we  
8 proceed to that, I would like to take a five-minute recess  
9 and we will reconvene at five minutes to eleven. Am I  
10 correct in assuming that we finished the calendar?

11 MR. HORTIG: All except pages 42 and 43, which  
12 were merely informative.

13 MR. LEVIT: I am aware of that.

14 (RECESS 10:47-10:58 A.M.)

15 MR. LEVIT: Gentlemen, the meeting will come to  
16 order. Mr. Ball, you are here representing the City of  
17 Long Beach, are you? ....

18 MR. BALL: Yes sir.

19 MR. LEVIT: To take up these matters which have  
20 not been calendered but which you want to put before the  
21 Commission this morning.

22 MR. BALL: Yes, that's correct. Because of the  
23 urgency of this matter we ask that it be placcd on the  
24 calendar and considered this morning. I will briefly  
25 sketch the problem and you can see from the statement of  
26 the problem that it is urgent today.

1 MR. LEVIT: Do I understand there is just one  
2 matter?

3 MR. BALL: One matter.

4 MR. LEVIT: Which is it?

5 MR. BALL: That is a matter which involves the  
6 approval of the Commission to an amended cooperative agree-  
7 ment between the City of Long Beach, Richfield Oil Cor-  
8 poration and Producing Properties Incorporated, and that  
9 particular cooperative agreement was approved at a meeting  
10 of the Commission December 1958, subject to the Attorney  
11 General's opinion that it conformed to the provisions of  
12 Chapter 29. That opinion was -- Mr. Goldin stated that it  
13 did conform and we thought at that time that the cooperative  
14 agreement would be effective so that we could go to work  
15 in Fault Block VI and start the water floods.

16 MR. LEVIT: Now, just so I am sure what we are  
17 talking about, this doesn't involve modification of the  
18 drilling agreement?

19 MR. BALL: No, it doesn't.

20 MR. LEVIT: And it doesn't involve the matter of  
21 approving any expenditures?

22 MR. BALL: No, it is not an expenditure. It will  
23 eventually mean an expenditure because it involves water  
24 flooding in Fault Block VI.

25 MR. LEVIT: We will talk about that later. There  
26 was some talk of approving an expenditure of two million  
dollars.

1 MR. BALL: No. If I can explain the situation --  
2 The Long Beach field has been arbitrarily divided into six  
3 fault blocks. It is very arbitrary, but the southeasterly  
4 end of the field which has been developed is called Fault  
5 Block VI. Fault Block VI, north of shore line produces --  
6 there is production from only the Ranger Zone, which is one  
7 of the two zones of this field, and that zone is being  
8 developed shorewise under the City of Long Beach by a cor-  
9 poration known as Producing Properties, Inc. South of the  
10 shore line, on the tidelands and submerged lands, there is  
11 production from various zones by the City of Long Beach  
12 under the terms of a drilling agreement with the Richfield  
13 Oil Company, that was executed in 1947. It's necessary to  
14 repressure all zones.

15 We had originally planned a unit for Fault Block VI,  
16 a separate unit, and Long Beach submitted repressuring  
17 plans to the Oil and Gas Supervisor by means of water injec-  
18 tion over on Fault Block VI, contemplating operation under  
19 a unit. The Pacific Properties, Inc., who are the group  
20 producing beneath the City of Long Beach proper, presented  
21 a water repressuring plan to the Supervisor about the same  
22 time -- a voluntary plan, which was approved.

23 Long Beach decided that in order to speed up re-  
24 pressuring in this Fault Block, they would enter into a  
25 cooperative agreement with the Pacific Properties, Inc.  
26 They would instruct their contractor, Richfield, to conduct

1 water repressuring in accordance with the plan south on  
2 the tide and submerged lands and they would by means of a  
3 cooperative agreement control the injection of water in  
4 accordance with the plan north of the tidelands or under  
5 the City of Long Beach. Now that was accomplished by  
6 means of a cooperative agreement between the City and its  
7 operator, Richfield, covering the tide and submerged lands,  
8 Pacific Properties, Inc. operating on the shore line. At  
9 that time Richfield brought up the question of indemnity  
10 under Chapter 5.5.

11 MR. LEVIT: Does this all relate to the one matter  
12 before the Commission?

13 MR. BALL: It's all the one matter and I am giving  
14 you the history of it so you understand it thoroughly.  
15 Because P.P.I. controlled the entire field, Richfield  
16 asked for an indemnity from the City of Long Beach under  
17 Chapter 5.5 of the Public Resources Code. If a unit is  
18 organized through the voluntary or compulsory method and is  
19 approved by the Oil and Gas Supervisor, then the units have  
20 indemnity because of water flooding. Richfield says: "If  
21 you go into a cooperative waterflood and do not unitize ..."  
22 as Richfield insisted upon a unit -- they said they would  
23 insist on it in the interest of saving time -- if they would  
24 have the same indemnity under the cooperative as from the  
25 City of Long Beach if it was unitized, and they did. It  
26 didn't mean much to Long Beach because Richfield's indemnity

1 under its contract is for 94.1% in any case, so that Long  
2 Beach was only assuming 5.9% of any possible damage from  
3 this waterflooding. It was also this particular area that  
4 was to be waterflooded. At that time, Long Beach agreed  
5 to amend Richfield's operating contract. As a result of  
6 that, a cooperative agreement between P.P.I on the shore,  
7 Richfield Oil, and the City of Long Beach was prepared and  
8 submitted to the State Lands Commission December 11, 1958  
9 and it was approved subject to the Attorney General's  
10 opinion, and that was received.

11 Subsequent to this time, Richfield raised a legal  
12 point. Their legal department argued that Long Beach had  
13 authority under their charter to indemnify; by a charter  
14 amendment last year Long Beach was given the right to  
15 indemnify its operators under a cooperative water flood.  
16 Richfield says "There is charter authority for Long Beach  
17 to indemnify us. We insist that be in the cooperative  
18 agreement, not in the operating agreement, because we see  
19 no reason for Long Beach to indemnify us in the operating  
20 agreement." We didn't completely agree with Richfield  
21 but we didn't wish to delay the matter, so we agreed to  
22 amend the agreement in one particular only and that  
23 particular is shown on page 9 of the proposed agreement,  
24 and it read as follows (and this is the only difference  
25 between the agreement approved by the State Lands Commission  
26 and the amended agreement):

1 "City agrees to indemnify and hold harmless  
2 Richfield from and against any and all loss, damages,  
3 claims, demands, or causes of action of every nature  
4 attributable to or occasioned by subsurface trespass re-  
5 sulting from repressuring operations ordered or directed  
6 by the City and conducted by Richfield under this agreement  
7 in the Tar and Ranger Zones of Fault Block VI of the Wil-  
8 mington Oil Field west of Pine Avenue or a projection  
9 thereof seaward, which indemnity shall be paid by the  
10 City without limitation and without reference to oil pro-  
11 duction or sales as provided for other payments to Richfield  
12 under the drilling and operating contract entered into be-  
13 tween the City, its Board of Harbor Commissioners, and  
14 Richfield on the 12th day of March 1947, as amended."

15 Now, it's that particular amendment to the coopera-  
16 tive agreement for which we ask approval at this time.

17 MR. LEVIT: I assume, Mr. Ball, you are asking for  
18 Commission approval subject to approval by the Attorney  
19 General?

20 MR. BALL: That's correct.

21 MR. LEVIT: And am I correct in assuming that this  
22 is a matter solely between Long Beach and Richfield and  
23 does not in any way involve the State or any funds that the  
24 State might be interested in?

25 MR. BALL: It might involve the State in the event  
26 of a loss.



1 MR. LEVIT: In what way?

2 MR. BALL: If there was a subsurface trespass  
3 occasioned by water injection.

4 MR. LEVIT: I mean how would this particular amend-  
5 ment involve the State over and above the involvement that  
6 it would have with the contract that the Lands Commission  
7 has already approved?

8 MR. BALL: Well, it's only indirect. Let's suppose  
9 that Long Beach instructed Richfield to waterflood and  
10 there was -- we can see no possible damage because we are  
11 out there all by ourselves, but suppose .... and any water-  
12 flood is going to be between the two adjacent owners, P.P.I.  
13 and Long Beach ... and then there was a loss that amounted  
14 to a thousand dollars due to subsurface trespass and that  
15 would be paid by an amount of money. Richfield would  
16 deduct it from the percentage that it accounts to the City  
17 of Long Beach for, but the State receives a percent of  
18 that, so it might indirectly affect the State.

19 MR. LEVIT: Didn't I understand you to say that  
20 you feel you have accomplished the same result by an indem-  
21 nity agreement that you put into your operating contract?

22 MR. BALL: Now, that's a second problem. They are  
23 parallel. We also present to the Commission an agreement  
24 supplementing the drilling and operating agreement with  
25 Richfield of March 12, 1947, in which we recite ....

26 MR. LEVIT: You are asking for approval of this?

1 MR. BALL: Yes, they are companion -- one is the  
2 amendment to the coop and the other is the amendment to the  
3 Richfield contract. They both say the same thing.

4 MR. LEVIT: In either case, the money involved here  
5 would be a reduction of the total share that is received  
6 by the City and would be divided between the City and the  
7 State. Is that correct?

8 MR. FRIEDMAN: Only in the case of a liability which  
9 is strictly contingent here. It would amount to one-half  
10 of 5.9%, as I see it, which is the additional quantum of  
11 liability the City is assuming.

12 MR. BRADY: Mr. Chairman, may I say one word?

13 MR. LEVIT: Who are you?

14 MR. BRADY: I am Mr. Brady, Deputy City Attorney.  
15 Under our present drilling and operating contract with  
16 Richfield it provides that 94.1% of any damage which might  
17 be sustained by third parties as a result of waterflooding  
18 will be treated as a reimbursable cost to Richfield under  
19 the contract; and based upon the compromise legislation  
20 which the City and State entered into, the City pays 50%  
21 of any costs attributable to extraction of oil, so presently  
22 the State would share in 50% of 94.1% of any damage sus-  
23 tained.

24 MR. LEVIT: That is under the contract already  
25 approved.

26 MR. BRADY: Under the contract already approved.

1 Now, Richfield will conduct its operations under the co-  
 2 operative agreement by virtue of its obligations under the  
 3 drilling and operating contract. In other words, they  
 4 will perform all their operations in the cooperative agree-  
 5 ment on the same lands they are presently obligated to  
 6 perform under the contract at the direction of the City.  
 7 So, that being the case, in the event of any loss 94.1%  
 8 would already normally be recoverable and 50% would be  
 9 charged to the State. Now under this indemnification agree-  
 10 ment as to the cooperative agreement only, the City has  
 11 been asked to raise that to 100%, so what we are really  
 12 speaking of is an excess of 5.9%; and as Mr. Friedman indi-  
 13 cates, if there were a loss under a 100% indemnification  
 14 the State might conceivably be picking up 50% of the 5.9%  
 15 which is a charge attributable to the extraction of oil  
 16 under this legislation.

17 MR. BALL: There is another matter under this  
 18 amendment with Richfield. They have chosen a spot on the  
 19 lands of the City of Long Beach -- you are familiar with  
 20 Long Beach; it is on the shore westerly of the jack rabbit  
 21 racer -- where they will have some water sources and this  
 22 permits them to go on this land, for Richfield to perform.  
 23 There is also a modification on that.

24 MR. LEVIT: Mr. Hortig, can you express an opinion  
 25 on that?

26 MR. HORTIG: Only as to the status of this processing

1 of these same matters as presented by Long Beach to the  
2 staff.

3 MR. LEVIT: When was this amendment first pre-  
4 sented to the staff?

5 MR. HORTIG: January 16th.

6 MR. LEVIT: That's a little less than two weeks ago?

7 MR. HORTIG: Yes sir.

8 MR. LEVIT: And how long do you think it will take  
9 before you are able to formulate a recommendation to the  
10 Commission?

11 MR. HORTIG: With respect to the cooperative agree-  
12 ment amendment, we have only one question pending and that  
13 is the opinion of the office of the Attorney General that  
14 the modification is still within the purview of the Commis-  
15 sion and at least follows largely the previous agreement.  
16 We are awaiting the Attorney General's opinion on that.

17 MR. LEVIT: Except for that are you prepared to  
18 advise the Commission that is in order?

19 MR. HORTIG: Yes sir.

20 MR. LEVIT: What about the other agreement?

21 MR. HORTIG: There we are not complete with our  
22 engineering review because the amendment of the contract,  
23 in going on this area that Mr. Ball referred to for Richfield  
24 to go to for source wells, there is also a possibility for  
25 operating a water plant, which has not yet been discussed,  
26 for which water plant we received a basic engineering study

1 this last Monday morning.

2 MR. LEVIT: In other words, your point is that the  
3 proposed amendment to the operating agreement ..... One  
4 preliminary question -- is that also subject to our approval?

5 MR. HORTIG: Yes sir.

6 MR. LEVIT: All right. Now your point is that in  
7 connection with the proposed amendment of the operating  
8 agreement there would be required, before you can make a  
9 recommendation to the Commission, certain additional engi-  
10 neering review that you now have under way?

11 MR. HORTIG: Yes sir.

12 MR. LEVIT: So that you are not prepared to make a  
13 recommendation on that. In other words, it may involve  
14 additional matters we should know about before you are  
15 giving approval?

16 MR. HORTIG: That's right.

17 MR. LEVIT: Mr. Brady disagrees with that, so let  
18 us hear from him on it.

19 MR. BRADY: Mr. Chairman, I don't disagree with Mr.  
20 Hortig and I know we have asked him to consider many pro-  
21 posals, so it might have been a little confusing. The  
22 water treatment plant we have been discussing with the execu-  
23 tive staff relates to a large water injection treatment  
24 plant which relates to Fault Blocks II and III, which are  
25 westerly fault blocks. It will have no relation to Fault  
26 Block VI. Any activities which are performed in conjunction

1 with the cooperative agreement and on the Richfield con-  
2 tracts will be separate and apart from that and those  
3 facilities will be installed solely pursuant to Richfield's  
4 drilling and operating contract. They will advance the  
5 costs and will seek their reimbursement only out of 34%  
6 of the revenue, as their contract provides. So this is not  
7 a matter of financing something. Richfield will have to  
8 pay for this and then seek reimbursement.

9 MR. HORTIG: Mr. Chairman, this is the penalty for  
10 oversimplification. There are problems in the same operat-  
11 ing programs which relate to the Richfield source wells  
12 which would be drilled under your proposed drilling con-  
13 tract and also have been raised in connection with your  
14 larger program for a larger water plant, which in turn is  
15 again only a portion of a fieldwide study which was pre-  
16 viously authorized by the State Lands Commission. So that  
17 we are actually having difficulty in integrating portions  
18 of operations.

19 MR. LEVIT: Are you suggesting, Mr. Hortig, that  
20 before any legitimate or logical decision can be reached  
21 by the Lands Commission on this matter that's before us  
22 now that we would have to make a decision on the entire  
23 subject matter of the fieldwide study?

24 MR. HORTIG: Not necessarily, sir, but at least to  
25 the extent that the factors involved in this proposed Rich-  
26 field relocation are also going to be applicable in principle

1 to other portions of the field. This Richfield contract  
2 amendment can well, I believe, be resolved on its own  
3 merits.

4 MR. LEVIT: But you are not prepared to say what  
5 the answer is today?

6 MR. HORTIG: I don't think we can do so today.

7 MR. LEVIT: There would be no point, I take it,  
8 Mr. Ball, to approving an amendment of the cooperative  
9 agreement until such time we are willing to approve an  
10 amendment to the other agreement?

11 MR. BALL: Yes, there is a great advantage.

12 MR. LEVIT: In what respect?

13 MR. BALL: Well, the cooperative agreement - -  
14 if the cooperative agreement is approved, well, then there  
15 are certain things that can be done immediately by way of  
16 preparing the site.

17 MR. LEVIT: If those things are done, doesn't that  
18 in essence commit the Commission to approving the proposed  
19 amendment to the operating agreement?

20 MR. BALL: Well, you see the Commission is already  
21 committed to the obligations of Long Beach on the coopera-  
22 tive agreement.

23 MR. LEVIT: I know, but I am talking about the  
24 amendment.

25 MR. BALL: The only difference is that now you  
26 would - - is what I read to you - - is that it indemnifies

1 Richfield to the extent of five point .....

2 MR. LEVIT: I don't make myself clear. If the  
3 Commission gives its approval only with respect to the  
4 cooperative agreement, I assume, as you say, that you will  
5 then go ahead and do work right away. How can we subse-  
6 quently come along, if our examiners in a similar situation  
7 under the other agreement convince us it shouldn't be  
8 approved .....

9 MR. BALL: Perhaps Mr. Smith can explain to you  
10 the urgency of having the cooperative agreement approved.

11 MR. LEVIT: I am not talking to the question of  
12 urgency. I am merely talking of the relationship between  
13 the two.

14 MR. BALL: Well, let me see now. First of all,  
15 under the cooperative agreement Long Beach has agreed to do  
16 certain things in cooperation with P. P. I. That's a matter  
17 of management policy that has been submitted to the staff;  
18 the staff has approved it and the Commission approved it  
19 on December 11th; and I understand there is no difference  
20 of opinion at this date. The only difference today than on  
21 December 11th is that we ask that the indemnity provision  
22 be inserted and the staff agrees with our policy.

23 MR. LEVIT: In both agreements?

24 MR. BALL: That's correct, in both agreements --  
25 but particularly in the cooperative agreement. Now, the  
26 only addition, then, is the problem of policy, as I see it,



1 as Mr. Hortig says, that in the Richfield agreement the  
2 City gives Richfield the right to occupy certain lands that  
3 now they are not entitled to occupy in order to carry out  
4 the obligations of the co-op. As I understand it, that  
5 matter of policy has already been decided by the staff under  
6 the cooperative agreement.

7 MR. HORTIG: If I may take that as a question, Mr.  
8 Ball, possibly this will resolve it. The staff view is  
9 that the cooperative agreement is principally something  
10 that has to be done in Fault Block VI in repressurization.  
11 Your proposal in the operating agreement is the mechanics.  
12 As to the principle that something must be done, we are in  
13 complete agreement. As to the specific matter of whether  
14 it should be done in the specific manner proposed in the  
15 original agreement, we are not ready to conclude.

16 MR. LEVIT: So you feel these are definitely inter-  
17 related?

18 MR. HORTIG: They are definitely interrelated. One  
19 says "We will do it" and one says how. It's the how .....

20 MR. LEVIT: Does any member of the Commission have  
21 a question or comment?

22 MR. ANDERSON: Quite a few, I guess.

23 MR. LEVIT: Do you have something to say, Mr. Goldin?

24 MR. GOLDIN: Yes, Mr. Chairman. Mr. Ball, if I  
25 understand correctly, you are only desirous of having the  
26 cooperative agreement amended in a single particular relating

1 only to the indemnification feature that you have discussed;  
2 but with respect to the operating agreement, you would like  
3 to have that modified in two particulars -- one with respect  
4 to the indemnification feature and the other with respect  
5 to drill sites for water injection.

6 MR. BALL: Water injection.

7 MR. GOLDIN: Now, Frank, am I correct in stating  
8 that you feel the staff review is only necessary with  
9 respect to the drill site aspect or do you feel the staff  
10 has additional work to do with respect to the indemnity  
11 feature?

12 MR. HORTIG: No, the indemnity feature of both  
13 agreements has been referred to the Attorney General's  
14 office for review. The staff review is limited to the  
15 engineering features of the proposed amendments.

16 MR. GOLDIN: In other words, Mr. Ball, what you  
17 are asking is to clean up one aspect at this time without  
18 committing yourself to the drill feature if Mr. Hortig  
19 thinks further work is necessary?

20 MR. LEVIT: Is that correct, Mr. Ball?

21 MR. BALL: Yes. I am sure with a very little con-  
22 ference with Mr. Hortig I think we can straighten that out.

23 MR. LEVIT: I am not going to put Mr. Hortig and  
24 the staff under the gun in making quick decisions of that  
25 kind. I think he must take sufficient time to complete his  
26 investigation, so he can make a recommendation to us that

1 will be sound and well thought out. Let's pass that for a  
2 moment. Do you have something, Governor?

3 MR. ANDERSON: Well, if we just approve this one  
4 item what then will the Richfield Oil do that they can't  
5 do now? You say they would prepare the sites and things  
6 like that?

7 MR. BALL: You see, Pacific Properties, Inc. have  
8 certain things they want to do.

9 MR. ANDERSON: They can't do them now?

10 MR. BALL: They are conducting waterflooding now.  
11 They have agreed to conduct waterflooding in accordance with  
12 plans and instructions from Long Beach, so Long Beach will  
13 be in agreement with flooding on the shore line. So they  
14 are particularly anxious to have these signed.

15 MR. ANDERSON: Can't they prepare these sites and  
16 go ahead without the ratification of this cooperative agree-  
17 ment, because they are only going on ....

18 MR. BALL: They wouldn't be justified unless they  
19 had a contract with Long Beach. You see, this is a matter  
20 of unitization and it will take some time. In other words,  
21 if we go into the cooperative flood they will sign the  
22 next day and go ahead.

23 MR. LEVIT: You are prepared to state that if that  
24 will be done there will be no moral or other commitment on  
25 the part of this Commission to approve the proposed amend-  
26 ment to the operating agreement that involves something

1 other than indemnity?

2 MR. BALL: No, because -- I tell you I can't think  
3 that. I can't state that to you because the way I view  
4 that, under the present cooperative agreement that has  
5 already been approved by the Commission -- and it's already  
6 been signed by P.P.I. and by Long Beach ....

7 MR. BRADY: By everybody.

8 MR. BALL: ... by everybody -- both Long Beach and  
9 P.P.I. are committed to a certain plan of waterflooding.  
10 I think they are already committed. As I view the agree-  
11 ment supplementing the drilling and operating contract,  
12 all it does is obligate Richfield to carry out what Long  
13 Beach is already obligated to do under the agreement of  
14 December 11th. That's my view.

15 MR. LEVIT: We do, however, have to approve the  
16 amendment to the operating contract?

17 MR. BALL: That's to please Richfield only. P.P.I.  
18 is satisfied with it. Richfield is not.

19 MR. LEVIT: I understand that. I mean the proposed  
20 amendments to the operating agreement do have to be approved  
21 by the Commission?

22 MR. BALL: Oh, yes.

23 MR. HORTIG: Yes, under Chapter 29.

24 MR. ANDERSON: Now, does this proposal of yours,  
25 does this have the formal approval of the City of Long  
26 Beach and Harbor Commission?

1 MR. BALL: Oh, yes. That's before it comes here.  
2 That's the procedure.

3 MR. LEVIT: If that's the case, why can't this  
4 party -- what are these initials?

5 MR. BALL: Pacific Producing Properties, Inc.  
6 We call them P.P.I.

7 MR. LEVIT: If they have a contract already, what  
8 is to prevent them from proceeding with the indemnity  
9 agreement?

10 MR. BALL: They want Richfield to be obligated on it.

11 MR. LEVIT: On the cooperative agreement - - I see.  
12 And they have not signed it?

13 MR. BRADY: Mr. Chairman, I might make one observa-  
14 tion in that regard. Under the cooperative agreement,  
15 Pacific Properties, Inc. is going to drill what they call  
16 a borderline water injection well, which will be placed on  
17 Producing Properties, Inc. property, but will be so located  
18 that it will be of mutual benefit in the repressuring of  
19 both Producing Properties, Inc. and the City. It will be  
20 the same as if the City had drilled the well and got the  
21 use of it themselves. Producing Properties, Inc. will pay  
22 the entire cost of drilling a well and maintaining it. As  
23 a consideration for Producing Properties placing that well  
24 in that location as a benefit to both parties, the City has  
25 agreed to prepare this drillsite, get it ready for surfacing  
26 water injection wells, at no cost to Producing Properties,

1 Inc. Producing Properties will then be permitted to come  
2 upon this property which the City has prepared and drill  
3 its water injection wells. The City does not feel it is  
4 in a position to prepare that property and permit Producing  
5 Properties, Inc. to drill its water injection wells until  
6 it has received approval of the cooperative agreement be-  
7 cause the preparation of that surface location will be a  
8 charge attributable to the charge against extraction of oil  
9 in which the State shares 50%.

10 It is true that the City might perhaps go ahead and  
11 prepare the surface drillsite if the cooperative agreement  
12 were approved. However, we feel that in complete fulfill-  
13 ment of the cooperative agreement we would like to feel that  
14 the Richfield portion would be approved, so that Richfield  
15 could likewise, as is contemplated, use this same joint  
16 facility for its certain water injection wells back into  
17 the tidelands, so we could get this area completely under  
18 flood.

19 There are certain ramifications in this from a  
20 litigation standpoint, you might say, where we feel that  
21 placing this entire fault block completely under flood or  
22 having the mechanics for doing it, would have a concern in  
23 the project of repressuring the whole field.

24 MR. LEVIT: This, of course, is what Mr. Hortig  
25 is concerned about.

26 MR. CRANSTON: What are the urgency factors that

1 lead you to wish Commission approval without full staff  
2 study and recommendation to the Commission?

3 MR. BRADY: Well, two things. The State of Cali-  
4 fornia and Long Beach are defendants in a law suit brought  
5 by the United States Government for damages and they are  
6 asking an order of court to require us to do what we are  
7 trying to do with all possible speed. Secondly, the rate  
8 of subsidence is rather alarming in the City of Long Beach,  
9 and we feel that every month of delay in repressuring is  
10 of substantial damage to the City.

11 MR. CRANSTON: May I ask Mr. Hortig to comment on  
12 this?

13 MR. HORTIG: Of course. We must concur as to Mr.  
14 Brady's statement as to being joint defendants, principal  
15 joint defendants in the law suit. The fact remains that  
16 the City has been proceeding diligently and with tremendous  
17 expenditure of effort on getting programs set up...however,  
18 not only for this Fault Block VI, but for the majority of  
19 the field, not the entire field; and possibly some of the  
20 natural enthusiasm for getting ratification of this Fault  
21 Block VI program is that it is so near to completion that  
22 they obviously desire very much to have the thing fully  
23 approved.

24 MR. LEVIT: It would now, if it hadn't been for  
25 this amendment?

26 MR. BALL: We would be working on it if it hadn't

1 been for this one amendment.

2 MR. HORTIG: Which amendment came on behalf of the  
3 City and Richfield with no knowledge to the State and sub-  
4 sequent to the approval by the State Lands Commission, so  
5 this whole thing throws us in a position that this just  
6 hasn't given us the time where the staff can give the Com-  
7 mission an unconditional recommendation; and the staff are  
8 hesitant to give the Commission conditional recommendations  
9 based on prior recommendations, based on contingencies.

10 MR. LEVIT: Well, how long will it take you to com-  
11 plete your staff review as nearly as you can tell?

12 MR. HORTIG: Well, we can make this a matter of  
13 special business for the staff. I am certain -- I feel  
14 that we could at least have all our questions raised and  
15 then depending upon answers from Long Beach -- up to that  
16 point within two weeks.

17 MR. ANDERSON: I was wondering if maybe we couldn't  
18 approve this first amendment they are asking and defer  
19 action on the other until our next meeting, but with the  
20 understanding that this amendment wouldn't imply that we  
21 necessarily were going to follow their recommendations on  
22 the other item.

23 MR. LEVIT: What would be the effect of that as far  
24 as Long Beach is concerned, Mr. Ball?

25 MR. BALL: Of course, we are very anxious to get the  
26 cooperative agreement, but I want you to understand that if



1 you do approve this cooperative agreement you are approving  
2 in principle this amendment.

3 MR. LEVIT: That's what bothers me.

4 MR. HORTIG: We are already tied to it in principle  
5 but the place where we need the staff review and recommenda-  
6 tion is as to the specifics of implementing it.

7 MR. LEVIT: What is the pleasure of the Commission?  
8 It seems to me there are only two things for us to do, one  
9 of two theories -- that of giving the approval that is  
10 being asked or to table the matter to the next meeting of  
11 the Lands Commission, with the understanding that the staff  
12 will make this first order of business and get these recom-  
13 mendations in as soon as possible.

14 MR. BALL: Mr. Chairman, would it be possible - -  
15 I do not know, but my understanding of the facts, I believe,  
16 are a little different than Mr. Hortig's; but if I am right  
17 perhaps Long Beach could adjust its differences with the  
18 staff in just a few moments.

19 MR. LEVIT: Let's do it right here.

20 MR. BALL: Let me state exactly how I feel about it.  
21 In the cooperative agreement Long Beach attempted to spell  
22 out what they would do and what P. P. I. would do and re-  
23 stricting areas for the water injection program, which  
24 areas are shown on this Exhibit A here, and also describes  
25 the obligation of Long Beach and obligation of P.P.I. and  
26 also Long Beach undertakes obligation to drill water

1 injection wells, which are specific. I feel this has  
2 already gone to the staff and has been approved by the  
3 staff as to this development and has gone to the Commission  
4 for approval and this is only a technical, small amendment  
5 we ask. With reference to the Richfield agreement, the  
6 amendment which supplements the Richfield agreement, we  
7 ask first that the increased indemnity be given Richfield  
8 and there appears to be no difference of opinion on it.  
9 Secondly, we ask that Richfield be given the right to use ...

10 MR. LEVIT: Excuse me. I want to be sure Mr.  
11 Hortig hears this because he's the fellow that has to  
12 recommend it.

13 MR. BALL: ... the additional item that they be  
14 given the use of lands in order to carry out its instruc-  
15 tions are the same lands described in the co-op. That's  
16 the reason I said I felt if you again approve this co-op,  
17 I felt that if we discussed it with Mr. Hortig maybe we  
18 would have some factual differences here, that's all. He  
19 has already approved the principle in the cooperative agree-  
20 ment. He has already approved the locations which we offer  
21 in the amendment to the contract.

22 MR. LEVIT: How about that?

23 MR. HORTIG: The whole staff's opinion, and cer-  
24 tainly mine, is that the Commission has, as Mr. Ball says,  
25 agreed to the principle. Now, when we come to the matter  
26 of the Richfield contract amendment, it has been the

1 staff view that we are still going to have to review and  
2 talk about and decide and be in a position to recommend to  
3 the Commission if the specific operations to be conducted  
4 under that contract are proper and have a sound and economic  
5 base. If we do not have this opportunity remaining as a  
6 result of the approval of the Commission at the last meet-  
7 ing, then I can only cite this as one of the obvious and  
8 demonstrated hazards of these crash programs because the  
9 basic cooperative agreement was given to the last meeting  
10 on practically a last-minute program crash basis to start  
11 with.

12 MR. LEVIT: What is the pleasure of the Commission?

13 MR. CRANSTON: Mr. Chairman, I am fully aware of  
14 the great problem in Long Beach and the desirability of  
15 solution of that problem. However, I am reluctant at my  
16 first meeting to recommend action without the recommenda-  
17 tion of the staff and I think it is exceptionally necessary  
18 to have them review and make their recommendation in this  
19 instance, so with reluctance I therefore move that this be  
20 taken under advisement and taken up at the next meeting.

21 MR. LEVIT: Instead of taking under advisement  
22 would you object to tabling it?

23 MR. CRANSTON: By no means.

24 MR. LEVIT: We have a motion to table until the  
25 next meeting. Now, Governor, how do you feel about that?

26 MR. ANDERSON: I am not quite decided on that.

1 I would like to approve item 1 and defer items 2 and 3,  
2 and I don't know what there would be in the first approval  
3 that you might not agree to at a later date in the engi-  
4 neering aspects of the plan. In other words, as he says,  
5 you and he will probably get together on the proposal  
6 regarding the method Richfield uses.

7 MR. HORTIG: I am certain that there is a rational  
8 engineering solution to the questions we have in mind.  
9 However, the questions are more extensive than can be dis-  
10 posed of in a matter of a few minutes of conference, as  
11 Mr. Ball suggests. Now, as I say, I feel the Commission  
12 is committed, and properly, on staff recommendation that  
13 in principle operations of this general type and principle  
14 must be taken in Fault Block VI.

15 MR. LEVIT: But the thing that bothers me is that  
16 everybody seems to agree that there is no point to this  
17 immediate action unless you are actually going to go ahead  
18 on a particular plan of operation; and if you do that, and  
19 if we understand you are going to do that, then it seems  
20 to me we have inhibited any special staff review.

21 MR. BALL: Mr. Chairman, may I confine this to  
22 facts only, so you will understand what we are talking  
23 about. The staff has already reviewed our plan in the co-  
24 operative agreement and approved it; and as I feel it, the  
25 Commission is committed to a principle now with staff  
26 approval to a course of action of water repressuring through

1 this cooperative flood. It's all spelled out -- nothing  
2 left to imagination.

3 MR. LEVIT: I think everybody agrees that.

4 MR. BALL: If I can read the amendment -- that's  
5 the reason I thought a conference might clear it up --  
6 this does not commit specific lands to Richfield to work  
7 on. It's very general. "It is hereby provided that the  
8 contractor shall be permitted, subject to prior approval  
9 and authorization by the City Council of City, to use and  
10 occupy in such ways or enter upon the said lands which may  
11 have been so designated for use by the City Council,  
12 provided however that the use thereof shall be confined  
13 exclusively to the installation and operation of a water  
14 injection plant, the drilling operation of water source  
15 wells, water injection wells, and the installation and  
16 maintenance of such other related and accessory facilities  
17 as are usually considered incident to water repressuring  
18 operations. Contractor expressly agrees not to occupy any  
19 portion of the surface lands for any purposes whatsoever  
20 until permission so to do is given by the City Council."

21 In other words, the lands that are to be committed  
22 to Richfield in this amendment to the contract are only  
23 lands which the City Council says they are to use and they  
24 are no specific lands; whereas in the cooperative agreement  
25 Long Beach has committed itself to specific properties to  
26 Producing Properties, Inc. to set aside these lands which

1 are specifically described. Now, all this does is enable  
2 all the amendment to the Richfield contract does is to en-  
3 able the City Council to go to specific lands. I don't  
4 know whether I make myself clear or not. This is a very  
5 general authorization and it means Richfield will do what-  
6 ever the Council tells them to do.

7 MR. LEVIT: This is the point on which you feel if  
8 Mr. Hortig agreed that it would resolve the problem?

9 MR. BALL: That's right.

10 MR. LEVIT: How about that, Mr. Hortig?

11 MR. HORTIG: That is true but we don't have a  
12 basis for staff review on which to even assert today that  
13 we disagree with them. Our problem is we do not have the  
14 engineering review. As I view this -- and please correct  
15 me if I state it incorrectly, Mr. Ball -- we have the agree-  
16 ment in principle; we have the agreement for Richfield to  
17 proceed. That will be on the recommendation of the Petroleum  
18 Engineering staff of the Harbor Board. Certainly it was  
19 the concept of the Lands Division technical staff that  
20 there would be opportunity to review and agree or modify  
21 the concepts of the Petroleum Engineering Section of the  
22 Harbor Board before being relayed to the City Council,  
23 being relayed to Richfield. If we do not have that oppor-  
24 tunity to review, we certainly did not contemplate nor were  
25 we ever intending to recommend to the Commission that any  
26 approval of the principle was approval to undertake anything

1 without further review of the staff.

2 MR. BALL: Let me say this. The amendment to the  
3 contract does not involve engineering matters at all. It  
4 just is as to where it shall put its water source wells.  
5 As to the cooperative agreement, it does give the location  
6 of the water source wells and water injection wells - -  
7 let's see - - and there are certain engineering details  
8 that have already been inspected. There also is a plan  
9 before the Oil and Gas Supervisor now and hearings have  
10 been held, and that plan has been submitted to the staff  
11 and has been approved by the staff. So I view the coopera-  
12 tive agreement as committed .....

13 MR. LEVIT: Mr. Hortig doesn't seem to feel that  
14 way.

15 MR. HORTIG: The specific nature of the approval  
16 of the staff of the plan submitted to the Oil and Gas Super-  
17 visor we aren't aware of. Our knowledge of the plan sub-  
18 mitted to the Oil and Gas Supervisor is in the terms of  
19 having attended the hearings being held by the Oil and Gas  
20 Supervisor.

21 MR. BALL: Well, you have copies of the plans.

22 MR. HORTIG: But the staff approval of those you  
23 refer to, Mr. Ball ....

24 MR. BALL: I probably misstated on staff approval.  
25 I think there has been cooperation between the State and  
26 City .....

1 MR. HORTIG: We have certainly tried.

2 MR. BALL: ... and actual approval will come from  
3 the Oil and Gas Supervisor.

4 MR. GOLDIN: I don't want to appear presumptuous  
5 at all, but there are two possibilities I would like to  
6 suggest to the Commission for consideration. Is it conceiv-  
7 able that if the principle involved seems to be acceptable  
8 to everyone but only the methodology is in question -- is  
9 it possible that the amendments may be approved subject to  
10 the Commission's staff approval of the mechanics and the  
11 Attorney General's opinion as to legality?

12 MR. LEVIT: Well, from what has been said, I would  
13 say no.

14 MR. GOLDIN: Then I make a second alternative sug-  
15 gestion. I was turning pages in the Code and I notice that  
16 pursuant to 6104 of the Public Resources Code "The Commis-  
17 sion shall meet upon due notice to all members thereof at  
18 such times and places within the State as are deemed necess-  
19 ary by it for the proper transaction of the business com-  
20 mitted to it." If the Commission feels that this is an  
21 extraordinary situation and has instructed the staff and  
22 the Attorney General's office to give this matter priority,  
23 it may be possible, if you gentlemen wish to do so, to  
24 take action on this as soon as both the staff and the  
25 Attorney General's office can act, at a time convenient to  
26 the Commission.



1 MR. LEVIT: Well, there is no question about that.  
2 I think the answer to that is simply that if the Commission  
3 decides not to act today, that the thing to do would be to  
4 have Mr. Hortig advise us if, as and when he feels a special  
5 meeting of the Commission is necessary and we will see  
6 about calling one. What is your view now, Governor? We  
7 have a motion to table until the next meeting of the Com-  
8 mission.

9 MR. ANDERSON: Well, I'd like to ask a couple of  
10 questions.

11 MR. LEVIT: Certainly.

12 MR. ANDERSON: First, now, this crash program was  
13 first presented in December. How much time did you have  
14 on that before it was presented -- the original co-op  
15 agreement?

16 MR. HORTIG: I can't recall specifically now,  
17 Governor.

18 MR. ANDERSON: But then did your staff approve that,  
19 the initial co-op? You approved that and the Attorney  
20 General approved it?

21 MR. HORTIG: We received it late enough that in the  
22 preparation of the recommendation it had to be conditional,  
23 that is post-Attorney-General's-review, because it was im-  
24 possible to get review prior to the meeting.

25 MR. ANDERSON: Also it has m t approval of the staff?

26 MR. HORTIG: Yes.

1 MR. ANDERSON: Has it received both these approvals?  
2 Has your staff approved it and the Attorney General's office  
3 agreed?

4 MR. HORTIG: Yes.

5 MR. ANDERSON: Then actually we are obligated.  
6 It's only the method that would be different?

7 MR. HORTIG: Yes sir.

8 MR. ANDERSON: My feeling would then be that we  
9 approve item 1 and not approve items 2 and 3, giving us  
10 assurance that the staff and we do have something to say  
11 about how it is to be done.

12 MR. LEVIT: The thing that bothers me is that  
13 everyone here seems to agree that this type of agreement  
14 will carry with it an implied approval of what they intend  
15 to go ahead and do right away. If we don't do that - -  
16 this particular approval is of no significance if they  
17 don't go ahead.

18 MR. ANDERSON: Does not the cooperative plan that  
19 was originally presented have the same implication? I  
20 don't see that we have changed the implication. We are  
21 committed to the original agreement.

22 MR. HORTIG: As the original agreement stands, but  
23 there is an application for amendment.

24 MR. LEVIT: Supposing we are not talking about the  
25 amendment, just the original; if it weren't for the amend-  
26 ment requested by Richfield, there would be no problem?

1 MR. HORTIG: Yes sir, as to the engineering review  
2 which the staff has not completed.

3 MR. LEVIT: The approval of the amendment would be  
4 meaningless with respect to the implementation of this  
5 particular proposal?

6 MR. FRIEDMAN: I want to stick my neck out a little  
7 if I may.

8 MR. LEVIT: You may, certainly.

9 MR. FRIEDMAN: Several months ago the then Governor,  
10 the then Attorney General, and the then members of the  
11 Lands Commission collaborated on a joint policy statement  
12 expressing the State's desire to proceed with all urgency  
13 on this matter of water repressurization to combat Long  
14 Beach subsidence. This plan for repressurization repre-  
15 sents the first complete accomplishment, or will represent  
16 the first accomplishment of a complete program within any  
17 of the fault blocks down in the Wilmington Field. The law  
18 suit is of secondary significance. The problem is to get  
19 water into the ground and get it in fast. I would hate to  
20 see a delay of thirty days in the actual accomplishment of  
21 physical work because of this matter, valid as it is, of  
22 getting staff review before the Commission acts. Long  
23 Beach and the operators there are engaged in feverish  
24 negotiations. It's just not in the cards ....

25 MR. LEVIT: You think we ought to catch the fever  
26 too?

1 MR. FRIEDMAN: No, I am not advocating that. I do  
2 feel this: If, on this amendment to the operating agreement,  
3 the City of Long Beach had come up with two pieces of paper  
4 instead of one -- one confined to the indemnification  
5 arrangement and the other confined to the drillsites --  
6 then the Lands Commission would have two separate matters  
7 before it and would then be in a position to proceed on  
8 the indemnification phases of the proposal, and then give  
9 the staff time for review of the drillsite aspect of the  
10 matter.

11 Now, is it possible that the Commissioners may  
12 entertain this proposal -- that the Commission may approve  
13 the indemnification phases of both of these contracts sub-  
14 ject to legal review by the Attorney General, and that as  
15 to the drillsite matter, the matter would be held in abey-  
16 ance pending staff review and if possible a special meeting  
17 of the Commission to pass upon that?

18 MR. LEVIT: Well, but there is no point to immediate  
19 action on the one unless they are enabled to proceed with  
20 the implementation of the other.

21 MR. BALL: There are certain steps in connection  
22 with the drillsite ....

23 MR. LEVIT: Mr. Ball, you just informed us a few  
24 minutes ago that if we approved the amendment only as to  
25 the indemnification so that you can proceed, we simply have  
26 got to see it through after that -- there is nothing further

1 We can do about it.

2 MR. SMITH: W. A. Smith, I am also with the City  
3 of Long Beach . . . .

4 MR. LEVIT: In what capacity?

5 MR. SMITH: I am Assistant Subsidence Control and  
6 Repressurization Administrator. It would seem to me that  
7 approval of the cooperative agreement by the previous Com-  
8 mission has already implied approval of this land which is  
9 already in the other agreement.

10 MR. LEVIT: Do you agree to that?

11 MR. HORTIG: That is what I say -- this points up  
12 one of the results of rapid consideration, without delibera-  
13 tion, of such proposals.

14 MR. LEVIT: We have a motion to postpone the matter  
15 until the next meeting of the Commission -- and I take it  
16 that you make it subject to the thought that if the staff  
17 can hurry this up and feels urgency is required, we can  
18 arrange for a special meeting of the Commission?

19 MR. CRANSTON: I am available at any time for that  
20 purpose.

21 MR. LEVIT: All right. I will for two reasons  
22 approve or go along with the motion to table: First,  
23 because it seems to be agreed that these things are so  
24 linked together that it is difficult to know what we are  
25 really getting ourselves in for and as a corollary to that,  
26 the staff feels it wants further time for completing its

1 review; and, secondly, because of the very nature of this  
2 very last minute presentation. While I don't in any  
3 respect wish to criticize Long Beach -- it was probably  
4 unavoidable -- I do think we have to take into considera-  
5 tion the fact that for this Commission, composed as it is  
6 of three people relatively unfamiliar with this problem,  
7 to bypass its staff recommendation would to me be unwise.  
8 So we now have a motion to table. I'll second the motion.  
9 We have a motion to postpone with the understanding that  
10 if the staff can complete its review substantially before  
11 the next meeting of the Commission and recommends an earlier  
12 meeting to dispose of this matter, we will have such a  
13 meeting. Are you ready for the question?

14 MR. ANDERSON: That's all three items?

15 MR. LEVIT: All three items, yes.

16 MR. ANDERSON: Well, I am going to vote no, only  
17 because I feel they should be separate. I think this first  
18 agreement could be approved at this time and the other two  
19 deferred.

20 MR. LEVIT: Are you ready for the question, then?  
21 Those in favor say "aye".

22 MESSRS. LEVIT and CRANSTON: Aye.

23 MR. ANDERSON: No.

24 MR. BALL: May I say something, Mr. Chairman, as  
25 regards future proceedings?

26 MR. LEVIT: Yes.

1 MR. BALL: I am so certain that if we sit down  
2 with Mr. Hortig in the noon hour we can thrash this out.  
3 I feel confident this is just a difference in facts.

4 MR. LEVIT: There is certainly no objection in do-  
5 ing that and if you can do that we could probably have a  
6 very early subsequent meeting of the Commission.

7 MR. BALL: I was going to suggest the possibility  
8 that you were available in the building this afternoon.

9 MR. LEVIT: No, I am not going to agree to that,  
10 Mr. Ball, because I think that puts the staff right under  
11 the gun and I want them to feel the Commission is not doing  
12 that. If, on the other hand, at any time within the next  
13 two or twenty-four or forty-eight hours there is a change  
14 in the situation, why we will try to get a very early meet-  
15 ing of the Commission, possibly as early as next Monday.

16 MR. BALL: I don't want you to think we are  
17 impatient ....

18 MR. LEVIT: Well, I do.

19 MR. BALL: .... but we have a very tragic situation  
20 in Long Beach. We not only have a law suit but we have a  
21 city that is damaged day by day by withdrawal of oil, so  
22 much so that there is much sentiment in the City that would  
23 ask that all oil withdrawal be stopped. We are trying  
24 every day -- our people are trying to accomplish repressur-  
25 ing. We have been impatient with delay.

26 MR. LEVIT: I believe that. I am sure there is no

1 intention on my part, and I am sure on the part of Mr.  
2 Cranston, to cause delay; and I feel I can say the same  
3 for Mr. Hortig and the staff. But I see no reason why,  
4 if the matter is so simple as you suggest with respect to  
5 clarifying the points between yourselves, the City and the  
6 staff, that we can't have a sufficiently early meeting of  
7 the Commission to satisfy even your questioned impatience.

8 MR. HORTIG: To implement that, Mr. Chairman, might  
9 I suggest if it is possible and feasible for the engineer-  
10 ing representatives of the City of Long Beach, who really  
11 have the problems and the answers which we seek, to meet  
12 with me and my staff in Los Angeles at two tomorrow after-  
13 noon, we will have at it.

14 MR. BALL: Sure, we can do that.

15 MR. LEVIT: Very well. Is there anything else to  
16 come before the Commission? (No response) If not, the  
17 meeting is adjourned.

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ADJOURNED 12:14 P.M.

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CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing ninety-five pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the State Lands Commission of the State of California at Sacramento, California on January 29, 1959.

Dated: Sacramento, California, February 3, 1959.

Louise H. Lillico