

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

TRANSCRIPT OF  
MEETING  
of

STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA

AUGUST 27, 1959 --- 9:00 A. M.

PARTICIPANTS:

THE COMMISSION:

Messrs. Glenn M. Anderson, Lieutenant Governor, Chairman  
Alan Cranston, Controller  
John E. Carr, Director of Finance  
Fred Zweiback, Executive Secretary to  
Lieutenant Governor Anderson.

F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Mr. Dan Kaufmann, Assistant Attorney General

Mr. Howard S. Goldin, Deputy Attorney General

APPEARANCES:

(In the order of their appearance)

Mr. Harold A. Lingle

City Attorney's office, City of Long Beach  
re Special Order of Business - Long Beach  
Boundary Determination

Mr. Roy Brown, Attorney-at-Law

representing F. E. Gober, doing business  
as Gober Drilling Company

and

Mr. Phillip J. Brady, Deputy City Attorney,  
City of Long Beach

re: Contract for drilling water injection wells.

Reporter:

Louise H. Lillico

Division of Administrative Procedure

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

I N D E X  
(In Accordance With Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>Item on</u>	<u>Page of</u>	<u>Page of</u>
	<u>Calendar</u>	<u>Calendar</u>	<u>Transcript</u>
1 Confirmation of Minutes			1
2 <u>Special Order of Business:</u> Long Beach tide and sub- merged lands boundary determination	34	1	1
3 <u>Permits, easements, and</u> <u>rights-of-way - no fee</u>			
(a) Division of Highways	6	2	5
(b) Pacific Gas & Elec.	17	3	5
4 <u>Permits, easements, leases</u> <u>and rights-of-way, fee</u>			
(a) General Petroleum	13	4	6
(b) Klamath Cedar Co.	12	5	6
(c) Chandler Lloyd	25	6	6
(d) Natural Gas Corp.	20	7	6
(e) " " "	18	8	6
(f) " " "	31	9	6
(g) " " "	30	10	6
(h) Richfield Oil Corp.	29	11	6-7
(i) Santa Catalina Island Company	11	13	6
(j) Seafarer Inn	10	14	7
(k) Shell Oil Company		15	7
(l) Wemple, Claude C.	8	16	7
MOTION .....			8-9

(continued)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

I N D E X  
(In Accordance with Calendar Summary - Cont'd)

<u>ITEM CLASSIFICATION</u>	<u>Item on Calendar</u>	<u>Page of Calendar</u>	<u>Page of Transcript</u>
<u>5 City of Long Beach Projects:</u>			
(a) Roads & Streets	21	17 & 18	9
(b) Pier F	21	17 & 19	10
(c) Pier G	21	17 & 20	10
(d) Subsidence Studies, Horizontal Movement Studies, Photogrammetric Work	21	17 & 21	10
(e) Spreckels Property	22	22 & 23	10
(f) Town Lot, Public Utilities and Interim Street System	23	24 & 25	10-11
<u>6 Sales of Vacant State School Land:</u>			
(a) Beckman, Ruth and Howard J.	19	26	
(b) Ralph C. Dills	4	27	
(c) " " "	16	28	
(d) " " "	5	29	
(e) Ellsworth, R. A. and Mary O. Shepard	15	30	12
(f) Ellsworth, R. A. and Harold B. Ensley	30	31	
(g) Herde, Millinae	24	32	
(h) Roddenberry, Henry D. and Laura D.	2	33	
(i) Stetzley, A. E.	27	34	
(j) Sletinsky, Michael	1	35	
(k) Tweten, William W.	3	36	

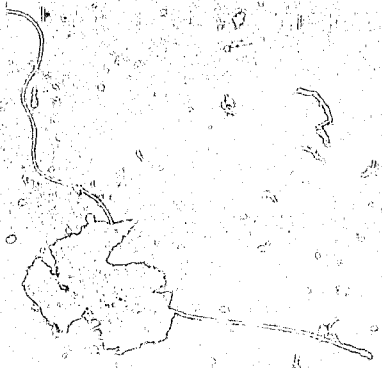
1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

I N D E X

(In Accordance with Calendar Summary - Cont'd)

<u>ITEM CLASSIFICATION</u>	<u>Item on Calendar</u>	<u>Page of Calendar</u>	<u>Page of Transcript</u>
7 Approval of selection and sale of vacant federal land and cancellation of application H.L. MacLaggart	26	37	15
8 Mineral extraction lease offer - McGillivray Constr.	14	39	15
9 Mineral extraction lease offer - M. J. Ruddy & Son	28	40	18
10 Determination of value T&S lands to be annexed by City of Oxnard	32	41	19
11 Rental rates and policies	9	42	20
12 Amendments to Sec 1903, Title 2 Div. 3, Cal. Adm. Code - Rules and Regulations of Commission	35	44	21
13 Report on drilling additional water-injection wells, etc. Parcel W area, Fault Blocks II and III, Wilmington Field	33	48	24
14 Report on status of major litigation	37	50	39
15 Confirmation of next meeting	37		39

\*\*\*\*\*



I N D E X  
(By Calendar Item Number)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

ITEM NUMBER	PAGE OF CALENDAR	PAGE OF TRANSCRIPT	ITEM NO.	PAGE OF CALENDAR	PAGE OF TRANSCRIPT
1	35	12	20	7	6
2	33	12	21	17-21	9
3	36	12	22	22-23	10
4	27	12	23	24-25	10-11
5	29	12	24	32	12
6	2	5	25	6	6
7	15	7	26	37	15
8	16	7	27	34	12
9	42	20	28	40	18
10	14	7	29	11	6
11	13	6	30	10	6
12	5	6	31	9	6
13	4	6	32	41	19
14	39	15	33	48	24
15	30	12	34	1	1
16	28	12	35	44	21
17	3	5	36	31	12
18	8	6	37	50	39
19	26	12			

\*\*\*\*\*

1 GOV. ANDERSON: The meeting of the State Lands  
2 Commission will come to order and the first item is confirma-  
3 tion of the minutes of the meeting July 30th.

4 MR. CRANSTON: I move they stand approved.

5 GOV. ANDERSON: You move they be approved without  
6 reading. Seconded?

7 MR. CARR: Yes.

8 GOV. ANDERSON: So ordered. The second item is the  
9 special order of business -- Long Beach tidelands boundary  
10 determination, report by the Attorney General's office and  
11 the Commission staff.

12 MR. HORTIG: Mr. Chairman, as the Commissioners will  
13 recall, on July 30th you authorized the Executive Officer to  
14 execute a form of stipulation with the City of Long Beach to  
15 protect the rights of the State as against the imposition of  
16 any statute of limitations. The original motion, made by Mr.  
17 Cranston, suggested that this stipulation be effective as of  
18 the date of the meeting in which the motion was made, which  
19 was May 29th. In further consultation, the attorneys felt  
20 that a more effective, appropriate and efficient cut-off date,  
21 particularly for accounting purposes, if the stipulation should  
22 ever come into effect, would be June 1, 1959.

23 Therefore a stipulation protecting the rights of the  
24 State and the City of Long Beach has been executed by the  
25 Executive Officer pursuant to the authorization by the Commis-  
26 sion, but indicating an effective date of June 1. Therefore,

1 it is requested that the Commission modify the prior authori-  
2 zation to ratify the substitution of the June 1 effective  
3 date for the previously designated May 29th date.

4 MR. CRANSTON: I so move, Mr. Chairman.

5 GOV. ANDERSON: You have heard the motion.

6 MR. CARR: I second it.

7 GOV. ANDERSON: It has been moved and seconded -- so  
8 ordered.

9 MR. HORTIG: The second phase, of course, of interest  
10 to the Commission is the status of the negotiations which are  
11 continuing and covering of time for which constitutes the pur-  
12 pose of the stipulation, to protect the rights of the State.  
13 For a brief report on the status of those negotiations, I  
14 would like to have Assistant Attorney General Kaufmann report.

15 MR. KAUFMANN: Insofar as this agreement is concerned,  
16 it has now been executed by Mr. Hortig and it is our under-  
17 standing that it has also been executed by the representatives  
18 from the City of Long Beach and should be received by us very  
19 shortly.

20 Insofar as the discussions which have been taking place  
21 according to the authorization of the Commission, they have  
22 taken place, they are taking place, and we would at this time  
23 believe it appropriate to ask the Commission to grant another  
24 extension of thirty days to permit the parties to continue  
25 these talks. Mr. Lingle is here, representing the City  
26 Attorney's office, and I am sure he will confirm the statements

1 I have made with respect to the agreement and the request  
2 that we be granted another thirty days to continue the  
3 discussions.

4 GOV. ANDERSON: Our next meeting is on October first.  
5 Do you want it to the next meeting?

6 MR. KAUFMANN: The next meeting.

7 GOV. ANDERSON: The next meeting, which is about  
8 thirty-six days.

9 MR. CRANSTON: May I ask if both of you feel that  
10 progress is being made?

11 MR. KAUFMANN: I believe that progress is being made,  
12 that the parties are in good faith attempting to reconcile  
13 the problems.

14 MR. LINGLE: I confirm Mr. Kaufmann's statement and I  
15 also would confirm the representation that the City has  
16 signed the agreement preserving the rights as of June first.

17 MR. CRANSTON: Mr. Chairman, I move we extend the time  
18 for negotiations to October first, the next meeting of the  
19 Lands Commission.

20 MR. CARR: I'll second the motion. I'd like to ask a  
21 question and that is -- Mr. Lingle, do you believe that the  
22 City of Long Beach will have acted on this agreement by that  
23 time? I mean, can we expect that we will have something  
24 definite at the next meeting?

25 MR. LINGLE: Mr. Carr, I couldn't tell you. The City  
26 Council is involved. There is an agreement freezing the rights



1 you don't mean that agreement? That's been executed. As to  
2 the negotiations and the ultimate .....

3 MR. CARR: I mean the consummation of the negotiations.

4 MR. LINGLE: I wouldn't represent that to you unless  
5 I know that negotiations have reached a final point and I  
6 can't tell you how my client will act in that case. I do  
7 know that our discussions are going ahead and I think that we  
8 are accomplishing things; but I couldn't tell you that even  
9 what Mr. Kaufmann and our office and our special counsel  
10 would arrive at -- that necessarily the Council will accept  
11 that.

12 MR. CARR: Can you comment on that, Mr. Kaufmann?

13 MR. KAUFMANN: Just to amplify the statement that I  
14 made before -- that all the parties are working conscien-  
15 tiously to arrive at an understanding and a fair settlement of  
16 the problem and I think with a target date of October first  
17 we will certainly make every effort to meet that date. That  
18 would be our purpose and I believe it would be the purpose of  
19 the City of Long Beach.

20 MR. CARR: Well, in seconding the motion I'd like to  
21 have the record show that we expect that to happen. Is that  
22 all right with you, Mr. Cranston?

23 MR. CRANSTON: I endorse your expectations and hopes.

24 GOV. ANDERSON: No further comments? It will be so  
25 ordered. That completes the special order of business, then.  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

GOV. ANDERSON: The next item will be Item 3 -- permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to statute.

Item (a) is the application of Division of Highways -- right-of-way easement; item (b) -- Pacific Gas and Electric Company, a 49-year right-of-way easement over submerged lands. Is this the one .....

MR. HOFFIG: One additional comment on the calendar item appearing on page 2 of the Commissioners' copy of the calendar, relative to the application for easement over tide and submerged lands by the Division of Highways. The Commission will recall that during the past years there have been severe slides along the ocean in the palisades section of Santa Monica Bay. The Commission (the previous Commission) previously has granted temporary easement to the Division of Highways to put the highway over tide and submerged lands temporarily in the slide area. This produced objection by the Division of Beaches and Parks so far as routing over recreational portions of the beach and particularly Will Rogers State Beach.

This matter was reviewed with the Division of Beaches and Parks and specifically they have reported that there are no objections to the issuance of this permanent easement by the State Lands Commission.

MR. CARR: I move approval.

GOV. ANDERSON: Of both items?

1 GOV. ANDERSON: The next item will be Item 3 --  
2 permits, easements, and rights-of-way to be granted to public  
3 and other agencies at no fee, pursuant to statute.

4 Item (a) is the application of Division of Highways  
5 right-of-way easement; item (b) -- Pacific Gas and Electric  
6 Company, a 49-year right-of-way easement over submerged lands.  
7 Is this the one .....

8 MR. HORTIG: One additional comment on the calendar  
9 item appearing on page 2 of the Commissioners' copy of the  
10 calendar, relative to the application for easement over tide  
11 and submerged lands by the Division of Highways. The Com-  
12 mission will recall that during the past years there have  
13 been severe slides along the ocean in the palisades section  
14 of Santa Monica Bay. The Commission (the previous Commission)  
15 previously has granted temporary easement to the Division of  
16 Highways to put the highway over tide and submerged lands  
17 temporarily in the slide area. This produced objection by  
18 the Division of Beaches and Parks so far as routing over  
19 recreational portions of the beach and particularly Will  
20 Rogers State Beach.

21 This matter was reviewed with the Division of Beaches  
22 and Parks and specifically they have reported that there are  
23 no objections to the issuance of this permanent easement by  
24 the State Lands Commission.

25 MR. CARR: I move approval.

26 GOV. ANDERSON: Of both items?

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

MR. CARR: Yes.

MR. CRANSTON: Second the motion.

GOV. ANDERSON: No objection -- so ordered.

Item 4 -- Permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission.

First application is General Petroleum Corporation -- approval of construction of an addition to existing pier in Rincon Field. Any comment as we go along? (No response)

(b) is Klamath Cedar Company -- cancellation of log-storage lease;

(c) Chandler Lloyd, Trustee -- approval of sublease to Lark Corporation;

Item (d) -- Natural Gas Corporation of California -- approval of assignment of lease;

Item (e) Natural Gas Corporation of California -- approval of assignment of lease;

Item (f) is the Natural Gas Corporation -- approval of assignment of a lease;

Item (g) is Natural Gas Corporation -- the approval of assignment of a lease;

Item (h) -- Richfield Oil Corporation -- approval of automatic equipment installed on State oil and gas lease, Rincon Field;

Item (i) -- Santa Catalina Island Company -- approval of assignment of lease;

1 Item (j) -- Seafarer Inn -- acceptance of quitclaim  
2 deed and termination of lease;

3 Item (k) -- Shell Oil Company, renewal of lease;

4 Item (l) -- Clyde C. Wemple -- cancellation of  
5 grazing lease. That's all under that Item 4.

6 MR. HORTIG: Mr. Chairman, all items -- (a) through  
7 (l) -- under subdivision 4 of your summary, with the excep-  
8 tion of (h) are standard in the sense that there is preced-  
9 ent; there are rules and regulations and procedures  
10 heretofore established by the Lands Commission for consum-  
11 mating the actions recommended.

12 Item (h) is unique in the sense that we are here re-  
13 porting the fact that developments in technology have over-  
14 taken our rules and regulations. The rules and regulations  
15 for field operation of an oil and gas lease cover the gauging  
16 and measurement of oil and gas only by hand means, by people  
17 there in person. Technology has developed whereby this mat-  
18 ter can be handled in certain instances more efficiently and  
19 more accurately by automatic equipment. Therefore, in this  
20 particular item it is recommended that, in view of the fact  
21 that the leases are subject to amendment by mutual consent,  
22 approval of the Commission for this first installation of  
23 this type on a tideland lease be granted.

24 The staff have under review proposals for up-dating  
25 the rules and regulations, so that for future situations of  
26 this type the regulations will also cover it and not require

1 specific approval for the modification of leases in order to  
2 keep abreast of the present state of the oil and gas industry.

3 MR. CRANSTON: Mr. Chairman, I move approval of the  
4 items in classification 4.

5 MR. CARR: Mr. Hortig, could you explain in not to  
6 exceed two minutes what this technological advance is?

7 MR. HORTIG: Yes, Mr. Carr. The best example is  
8 simply that heretofore, in the standard method of measuring  
9 production and shipment of crude oil from any well, the  
10 oil (having been separated from the water, if any) has been  
11 stored in a tank; the level of the oil in the tank has been  
12 measured by a tape inserted by a gauger, the level read.  
13 After the oil has been shipped from that tank, another gauge  
14 is made, the difference between the two elevations measured  
15 is computed, translated into barrels of oil, finally arriving  
16 at an indicated amount of oil on which State royalty is due.

17 Under the automatic custody transfer procedure approved  
18 here, oil can be shipped continuously or automatically at  
19 predetermined intervals out of a tank, without any human be-  
20 ing in attendance -- the oil having been processed, separated  
21 from gas, and accurate measurements being available as to  
22 the amount of oil that has been shipped by means of recently  
23 developed accurate metering equipment. So it is simply a  
24 matter of reading the meter at the beginning of the month  
25 and at the end of the month, and the difference between the  
26 two is the amount of oil having been shipped -- without anyone

1 being in attendance. The ultimate in processing is a meter  
2 in current experimental development (with no reason that it  
3 won't be developed) that will even yield a key punch card  
4 which can be put in the computer of the electronic accounting  
5 system at the end of the month, which will give the amount  
6 of oil shipped, without anyone being in attendance.

7 MR. CARR: I understand this equipment is already in  
8 operation.

9 MR. HORTIG: This is correct and this is why the  
10 approval has been withheld up to this time in order to prove  
11 the equipment. In other words, we have actually run this  
12 equipment for several months as against our heretofore stand-  
13 ard system of gauging the measurements and the indications  
14 are that our automatic equipment possibly gives us more  
15 accurate results and certainly gives us more efficient  
16 results.

17 MR. CARR: Second.

18 GOV. ANDERSON: Motion made and seconded that all  
19 items under Item 4 be approved. No objection -- so ordered.

20 Item 5 is the City of Long Beach projects:

21 Item (a) Roads and Streets, Pico Avenue, second  
22 phase -- approval of expenditures by Long Beach Harbor  
23 Department of \$218,500 including subsidence costs of \$58,995.  
24 Do you want to comment on these as I go along, or just go  
25 through them?

26 MR. HORTIG: I will have comments only on Item (f),

1 Governor, unless there are questions.

2 GOV. ANDERSON: Item (b) -- Pier F, first phase --  
3 approval of expenditure of Long Beach Harbor Department of  
4 \$200,000, including subsidence \$16,000;

5 Item (c) - Pier G, first phase -- approval of expendi-  
6 ture by Long Beach Harbor Department of \$200,000, including  
7 estimated subsidence costs of \$20,000;

8 Item (d) -- Subsidence Studies, Horizontal Movement  
9 Studies, Photogrammetric Work -- approval of expenditure by  
10 Long Beach Harbor Department of \$3,500, estimated subsidence  
11 costs \$3,150;

12 Item (e) -- Spreckels Property -- General Fill Eighth  
13 Street to Richfield Lease -- determination of allowable sub-  
14 sidence of \$2,023.98 instead of \$5,352.73, with credit to the  
15 State of \$3,328.75;

16 Item (f) -- Town Lot, Public Utilities -- conditional  
17 approval of expenditure by Long Beach Harbor Department of  
18 \$135,000; and that's all under the Long Beach items?

19 MR. HORTIG: That's correct, Governor.

20 GOV. ANDERSON: Do you want to comment?

21 MR. HORTIG: Items (a) through (e) are the normal  
22 recurring types of projects necessarily being conducted by  
23 the Harbor Department involving subsidence alleviation and  
24 protection, to which the Commission is authorized to give  
25 advance approval as well as approval for possible participa-  
26 tion in subsidence costs, pursuant to Chapter 29 of the



1 Statutes of 1956. Item (f) is a conditional approval of a  
2 project of the same general type but is of a category that  
3 involves the purchase of certain properties which may, after  
4 purchase by the City and having been rehabilitated from their  
5 subsidence condition, have enhanced value; and the question  
6 has been heretofore raised whether there should be an offset  
7 in the State's participation by reason of that enhanced value.  
8 This question is under consideration by the Attorney General  
9 and, therefore, the advance approval in this instance precludes,  
10 or does not authorize, the City to withhold any tentative sub-  
11 sidence deductions until such time as the opinion of the  
12 Attorney General is received and the Commission modifies the  
13 approval in accordance therewith.

14 MR. CARR: What is your recommendation?

15 MR. HORTIG: The recommendation as it appears on page  
16 24 -- that the advance approval of expenditure be in the  
17 amount of \$135,300, that it be allowed to the City but that  
18 the City not be permitted to take any subsidence deductions  
19 currently. This type of item has been a recurring one over  
20 the last two years of the Commission's experience and the same  
21 recommendations have been made and approvals have been granted  
22 in each instance. In other words, there are a considerable  
23 number of acquisitions of this type of property that have al-  
24 ready been consummated by the City, but the City has not with-  
25 held any portion of the State's portion for subsidence costs.  
26 If the Attorney General finally renders an opinion that we have

1 a liability, then the amount of subsidence to which the City  
2 is entitled (will be deducted from future royalty income.

3 MR. CRANSTON: I move approval of the staff recommen-  
4 dations.

5 GOV. ANDERSON: That's on all of the items under  
6 Item 5. It has been moved and seconded and if there is no  
7 objection, so ordered.

8 Item 5 -- Sales of vacant State school lands:

9 Item (a) - Ruth and Howard Beckman; item (b) -  
10 Ralph C. Dills; item (c) - Ralph C. Dills; item (d) - Ralph  
11 C. Dills; item (e) - R. A. Ellsworth and Mary Shepard; item  
12 (f) Robert A. Ellsworth and Harold Ensley; item (g) - Millinae  
13 Heide; item (h) Henry D. Roddenberry and Laura D. Roddenberry;  
14 item (i) - A. E. Shetzley; item (j) - Michael Slatsinsky; item  
15 (k) - William W. Tweten.

16 Any comments on these?

17 MR. HORTIG: All bids received were equal to or  
18 greater than the appraised value. Therefore, the sales are  
19 recommended subject to the statutory reservations, including  
20 the reservation of the State's mineral rights.

21 MR. CRANSTON: Mr. Chairman, I move approval in  
22 accordance with the provisions recommended by the staff.

23 GOV. ANDERSON: You have heard the motion....

24 MR. CARR: I second the motion; but I think, Mr.  
25 Chairman, there has been some informal discussion about the  
26 sale of these lands and I don't remember who it was in the

1 discussion that suggested if we made known that these lands  
2 were available on a little wider area, we might get a little  
3 better bids and get more money out of these lands.

4 GOV. ANDERSON: It is my understanding we have a pilot  
5 proposal coming up. Do you want to comment on that now, Mr.  
6 Hortig?

7 MR. HORTIG: Under current staff consideration are  
8 the questions on proposals which you, Governor, have suggested  
9 should be evaluated -- which is inclusive of the general  
10 premise which Mr. Carr has just outlined, as well as areas  
11 for evaluation by Controller Cranston -- with the result that  
12 it is felt that all aspects of policy and procedure relating  
13 to the sale of vacant school lands will have been reviewed  
14 and will be recommended upon at the time the full project is  
15 reported to the Commission.

16 MR. CRANSTON: When will that be, Frank?

17 MR. HORTIG: Possibly sixty days. As you will recall,  
18 Mr. Cranston, from our discussions, it was felt that as there  
19 were questions as to current procedures for sale of these  
20 vacant school lands, since we do have a procedure and have  
21 had for many years which has been reasonably satisfactory, it  
22 would probably be more desirable to bring to the Commission a  
23 recommendation concerning all feasible and desirable changes  
24 on land sales at one time rather than do it piecemeal.  
25 Assembling all this and evaluating all the questions which  
26 you Commissioners have raised is going to take some staff time.

1 GOV. ANDERSON: It is my understanding that along  
2 this line you are thinking of, for example, singling out a  
3 county and taking the State school lands there and having an  
4 appraiser go out and appraise as much as possible of that, so  
5 that can be put on sale at one particular time in one particu-  
6 lar county.

7 MR. HORTIG: That is one of the alternatives that is  
8 being evaluated.

9 GOV. ANDERSON: It is our thought that if this could  
10 be developed we would get a lot more activity and a lot more  
11 land on the tax rolls.

12 MR. CARE: In a recent meeting of the Public Works  
13 Board we went into the question of acquiring lands for State  
14 colleges and it is quite obvious that the cost of land being  
15 bought by the State is going up faster than what it is being  
16 sold for. I think if we could get those together, we would  
17 have a more balanced situation.

18 GOV. ANDERSON: It is also true that doing it on a  
19 county basis we could cut down on our appraisal costs. We  
20 jump here from San Bernardino to Sacramento County. I assume  
21 when someone wants a piece of land in one county we send a man  
22 out there and if we could have these lands appraised all on a  
23 one-county basis, we could appraise it all on one trip.

24 MR. HORTIG: That is true in a sense, but the disparity  
25 is not as great as it appears in reading the calendar, because  
26 while these items fall in the calendar in a great spread, all

15

1 of the lands in the area in different stages of processing  
2 have also been appraised in conjunction with these and are  
3 scheduled for appraisal so there is a minimum loss of time  
4 and distance in appraisal; so to a degree in our staff  
5 schedule we are already following that procedure, and thereby  
6 minimizing any inefficiency. These parcels do not represent  
7 a case of where one appraiser made a trip from San Bernardino  
8 County to Sacramento County and they are scheduled very rigor-  
9 ously to assure the minimum of backtracking and loss of time  
10 and going from one parcel to the next, in order to minimize  
11 the cost of appraisal to the applicant.

12 MR. CARR: I second the motion.

13 GOV. ANDERSON: It has been moved and seconded that  
14 all items under Item 6 be approved. No objection -- so  
15 ordered.

16 Item 7 -- Approval of selection of vacant federal lands  
17 and sale of 29.30 acres in Del Norte County and cancellation  
18 of application of Mr. H. L. MacTaggart.

19 MR. CARR: So move.

20 MR. CRANSTON: Second.

21 GOV. ANDERSON: No objection -- so ordered.

22 Item 8 is a mineral extraction lease offer, 1.53 acres  
23 submerged lands in the bed of the American River, vicinity of  
24 H Street Bridge in Sacramento. This isn't the one . . . .

25 MR. HORTIG: This is the one I wish to comment on.  
26 If the Commission please, for the record the following telegram

1 has been received from Assemblyman Thomas J. MacBride, within  
2 whose Assembly District the application for the proposed  
3 operation is located:

4 "STATE LANDS COMMISSION  
5 STATE BUILDING  
6 LOS ANGELES, CALIFORNIA

7 I RESPECTFULLY REQUEST THAT THE HEARING OF THE  
8 APPLICATION OF THE MCGILLIVRAY CONSTRUCTION CO.  
9 FOR A LEASE TO EXTRACT SAND AND GRAVEL FROM THE  
10 AMERICAN RIVER IN THE AREA 4500 FEET DOWNSTREAM  
11 FROM THE H STREET BRIDGE BE CONTINUED FROM ITS  
12 PRESENT DATE AND PLACE OF HEARING ON AUGUST 27,  
13 1959 IN LOS ANGELES TO A NEW DATE FOR HEARING IN  
14 SACRAMENTO, CALIFORNIA. BOTH THE CITY AND COUNTY  
15 OF SACRAMENTO, THE BOARD OF DIRECTORS OF THE  
16 CALIFORNIA STATE FAIR, AND THE OTHER ADJOINING  
17 PROPERTY OWNERS IN THE AREA WILL BE VITALLY  
18 INTERESTED IN THIS HEARING AND THEIR REPRESENTA-  
19 TIVES SHOULD BE PERMITTED TO ATTEND THE HEARING  
20 WITH CONVENIENCE IN ORDER THAT THE COMMISSION  
21 MAY HAVE THE BENEFIT OF THEIR STUDY AND COMMENTS  
22 ON THE PROPOSED LEASE. TO PLACE A SAND AND  
23 GRAVEL EXTRACTION FACILITY WITH ACCOMPANYING  
24 ROADS, TRUCKS, NOISE, AND DUST ACROSS THE RIVER  
25 FROM AN ALREADY COMPLETELY DEVELOPED RESIDENTIAL  
26 SUBDIVISION AND IN THE IMMEDIATE VICINITY OF  
LANDS WHICH ARE PRESENTLY PLANNED FOR INTENSIVE  
COMMERCIAL, FRATERNAL AND CHURCH USE, COULD HAVE  
A SERIOUS DETRIMENTAL EFFECT UPON THE GROWTH OF  
THIS IMPORTANT AREA OF SACRAMENTO COUNTY. I  
TRUST THAT NEITHER YOUR COMMISSION OR APPLICANT  
MCGILLIVRAY CONSTRUCTION CO. WILL BE INCONVENIENCED  
BY THIS DELAY INASMUCH AS THE STATE LANDS COMMISSION  
DOES FROM TIME TO TIME MEET IN SACRAMENTO AND OF  
COURSE THE MCGILLIVRAY CONSTRUCTION CO. IS A SACRA-  
MENTO FIRM. YOUR FAVORABLE CONSIDERATION OF THE  
ABOVE REQUEST WILL BE APPRECIATED. IF YOU FEEL  
THE COMMISSION WILL NOT ACCEDE TO MY REQUEST FOR  
CONTINUANCE WITHOUT A PERSONAL APPEARANCE BY ME  
IN LOS ANGELES, WILL YOU PLEASE ADVISE ME BY  
TELEGRAM AND I WILL COME TO LOS ANGELES FOR THE  
PRESENTLY SCHEDULED HEARING.

YOURS VERY TRULY,  
ASSEMBLYMAN THOMAS J. MacBRIDE"

26 I have conferred with Assemblyman MacBride. I told

17  
1 him that the staff would recommend that this deferment be  
2 granted on the hearing, and under those circumstances Mr.  
3 MacBride is not here today but did send this telegram. It is  
4 recommended that the Commission defer consideration of the  
5 item relating to the McGillivray Construction Co. application  
6 for mineral extraction lease to the October 1 meeting in  
7 Sacramento.

8 MR. CARR: Move the approval.

9 MR. CRANSTON: Second.

10 GOV. ANDERSON: So ordered.

11 MR. ZWEIBACK: I have observed in the past that  
12 wherever there have been problems arising which would require  
13 the presence of many witnesses and so forth, that we have  
14 tried to defer the problem by holding the meeting in that area.  
15 Most of our problems have thus far been in southern California.  
16 I believe this is the first one in northern California. I  
17 have never seen a statement of policy, but is this the prac-  
18 tice and the unstated policy, so to speak, that the Commission  
19 does try to hold its meetings where there is wide public inter-  
20 est and should we be guided by that policy?

21 MR. HORTIG: I'll answer your specific question.  
22 This matter of accession to the convenience of the maximum  
23 number of interested parties has certainly been the practice  
24 of the State Lands Commission and continuing that practice  
25 would be recommended insofar as feasible.

26 In this particular instance, we had scheduled the

1 item for Commission consideration as a routine item; and this  
 2 has been under consideration at the staff level, incidentally,  
 3 and the subject of negotiations and discussions in the Sacra-  
 4 mento area for the better part of a year, and it wasn't until  
 5 after the item actually arrived as a calendar item and Assem-  
 6 blyman MacBride was informed pursuant to recent legislative  
 7 requirements that local legislators be informed of projects  
 8 to be undertaken in their district -- it wasn't until that  
 9 time that we were made aware that there were any possible  
 10 objections to the item.

11 So some of these items, as this one did, come up at  
 12 a time when it is not convenient for them to protest, because  
 13 we don't know there is any protest, in which event we follow  
 14 the practice here and recommend that it be deferred.

15 MR. ZWEIBACK: More specifically, where we would  
 16 have sufficient notice that there is wide public interest  
 17 and where it is feasible, we would normally hold it in that  
 18 area?

19 MR. HORTIG: That's correct.

20 GOV. ANDERSON: Item 9 -- Mineral extraction lease  
 21 offer, 18 acres of submerged lands in the bed of Tuolumne  
 22 River -- application of M. J. Ruddy and Son.

23 MR. HORTIG: In this instance, Mr. Chairman, we have  
 24 no specific objection from the adjoining upland owner because  
 25 he, too, is part of the lease arrangement and the gentleman  
 26 who hopes to be the successful bidder and the State's lessee



1 has the lease for digging up the adjoining uplands as part  
2 one of the current project; and the Corps of Engineers did  
3 not have any navigation project in the Tuolumne River and  
4 have disclaimed any interest in the operation. Also, this  
5 operation will immediately adjoin another sand and gravel  
6 extraction lease heretofore issued by the Commission, under  
7 which we will continue to be paid.

8 GOV. ANDERSON: Is there a motion?

9 MR. CARR: I move.

10 MR. CRANSTON: Second the motion.

11 GOV. ANDERSON: Moved and seconded Item 9 be approved.

12 No objection -- so ordered.

13 Item 10 -- Determination of value of tide and sub-  
14 merged lands in Ventura County to be annexed by City of Oxnard.

15 MR. HORTIG: As the Commission can see from the  
16 relatively low valuation of \$1,900, there is only a small  
17 portion of tide and submerged lands proposed to be annexed  
18 by the City of Oxnard in connection with a shoestring annexa-  
19 tion which is located primarily upon the uplands, to which  
20 no upland objections have been filed -- at least not suffi-  
21 ciently enough where in conjunction with the State valuation  
22 would be sufficient to block any annexation, and there does  
23 not seem to appear any independent objection by the Commission  
24 to this annexation. Therefore, it is recommended that the  
25 valuation report as required by statute be transmitted to the  
26 City of Oxnard.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

MR. CRANSTON: I so move.

MR. CARR: Second.

GOV. ANDERSON: No objection -- so ordered.

Item 11 -- Rental rates and policies regulating leasing of State lands. Do you want to comment on that, Mr. Hortig? \*

MR. HORTIG: You will recall, Mr. Chairman, this item was originally presented pursuant to a directive by the Commission of February 24, 1959 for a review of rental rates and policies pertaining to commercial and recreational leasing of State lands. The attached schedule, with recommendations for either no change in a minimum number of the factors and modest increases in the rates with respect to the rentals for commercial leases and rights-of-way, is recommended to bring the Commission's leasing policies into line with present-day economic conditions.

The factors which were considered prior to adopting the bases for the recommendations are outlined in the report containing six pages, following the calendar item which the Commissioners have before them and I know the Commissioners have reviewed heretofore.

Therefore, it is recommended that the revised rental schedule appearing as page 43 of the calendar be adopted by the Commission as policy, superseding any schedules for these purposes heretofore established.

MR. CRANSTON: Frank, would it create any difficulties

\*Mr. Carr out of room during Mr. Hortig's explanation of item.

1 from your point of view if it were put over to the next  
2 meeting? I have not had time to study this as thoroughly as  
3 I would like to.

4 MR. HORTIG: Not at all.

5 MR. CRANSTON: I'd like to ask, then, that it go  
6 over to the next meeting.

7 GOV. ANDERSON: I have no objection to it going over  
8 either. (Mr. Carr returned) Mr. Carr, the discussion is  
9 as to rental rates and policies of the Commission. We  
10 asked in February, I believe it was, that a study be made of  
11 the rental rates on commercial and recreational leasing of  
12 State lands and the report is brought in here. Mr. Cranston  
13 has asked that this be put over to the next meeting.

14 MR. CARR: That's all right.

15 GOV. ANDERSON: It has been moved and seconded that  
16 Item 11 be put over to our October first meeting. If there  
17 is no objection, so ordered.

18 Item 12 -- Amendments to Section 1903, Title 2, Divi-  
19 sion 3 California Administrative Code, Rules and Regulations  
20 of the State Lands Commission.

21 MR. HORTIG: The Commission has heretofore approved  
22 the initiation of the procedures required under the Admini-  
23 strative Code and the Government Code to effectuate the  
24 amendment of Section 1903 of the Rules and Regulations of the  
25 State Lands Commission, which amendment will be made necessary  
26 by Chapter 1587 of the Statutes of 1959 which will become

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

effective September 18, 1959. The original proposal, and that authorized by the Commission, considered the publication of the required notices, the hearing by the Commission, and thereafter the establishment of the required fees which are to be specified in Section 1903 as a matter of policy by the Commission, without having them an inherent part of the Rules and Regulations. Subsequent <sup>to</sup> review by the office of the Attorney General and subsequent to the original publication of this notice of intent of the Commission to modify the rules in this form, the Attorney General's office has advised that a better procedure would be to set the fee rates specifically in the Rules and Regulations.

We are, therefore, now on the horns of the dilemma that it is just not possibly procedurally to re-advertise, to go through the full normal procedure for amending the Rules and Regulations and have them effective by September the 18th, 1959 in the desired form; and if we don't have rules and regulations in effect on September 18th, we are suddenly going to have services which the public is going to require and should receive, for which the Commission has no specification of fees which the Commission is required to collect under the law.

Therefore, it is proposed at this time that the alternative procedure which is available, of adopting a rule on an emergency basis, be adopted as recommended in the resolution, in which resolution the fees to be collected are

1 specified in terms of fees for certificates of purchase or  
 2 duplicates thereof - \$6; patents and certified copies of  
 3 records thereof - \$10; certifying contested case to Superior  
 4 Court - \$20; certifying copies of papers - \$1; and for other  
 5 services performed fees shall be based on the costs of the  
 6 services rendered. If this procedure is to be followed, the  
 7 Commission must find an emergency exists; that the foregoing  
 8 regulation is necessary for the immediate preservation of  
 9 peace, health, safety or general welfare; and a statement of  
 10 facts constituting such emergency must be appended. This  
 11 is outlined in the recommendation and the basis, again, is  
 12 that unless adopted by this procedure, the Commission will  
 13 not have the required rules and regulations on September 18,  
 14 1959 when the 1959 statutes become effective.

15 MR. CRANSTON: This has no effect on the requirement  
 16 of the deposit on the amount of a bid?

17 MR. HORTIG: No sir. That still is in the Rules  
 18 and Regulations and not affected hereby nor modified by  
 19 this action.

20 MR. CRANSTON: I move approval of the staff recom-  
 21 mendation.

22 GOV. ANDERSON: Your testimony that it is an emergency  
 23 nature is in accordance with the recommendations here?

24 MR. HORTIG: That's right.

25 MR. CARR: Well, would this be permanent?

26 MR. HORTIG: It will be permanent until we change it.

1 MR. GOLDIN: No, I believe this is a stopgap device  
 2 and by law the Commission will be required to adopt a perman-  
 3 ent rule and regulation after giving notice and an opportunity  
 4 for protest. This is only a stopgap device.

5 MR. CARR: What is the timing on this? It can go  
 6 into the regulation.

7 MR. GOLDIN: No sir. By law, I believe it is limited  
 8 to one hundred twenty days.

9 GOV. ANDERSON: Wouldn't it be wise to look into this  
 10 and bring in a resolution next meeting to go into the regular  
 11 procedure?

12 MR. GOLDIN: You are required by law to do exactly  
 13 that, in less than one hundred twenty days.

14 MR. HOFFIG: Certainly this procedure will be  
 15 reviewed, Governor, and whatever modification necessary to  
 16 make this permanent and in the proper form will be recommended  
 17 at the next meeting. In the interim, before the next meeting  
 18 September 18th will come and be gone, so we need this emer-  
 19 gency recommendation.

20 GOV. ANDERSON: You moved?

21 MR. CRANSTON: Yes.

22 MR. CARR: Second.

23 GOV. ANDERSON: Moved and seconded. If there is no  
 24 objection, so ordered.

25 Now, Item 13 is report on the drilling of additional  
 26 water injection wells and converting certain oil and gas

1 wells at Wilmington Field, Long Beach. Do you wish to  
2 report on that?

3 MR. HORTIG: The following is a summary report to  
4 the Commission of progress under projects heretofore approved  
5 by the Commission, in which the Commission has given advance  
6 approval to an over-all capital ceiling expenditure of  
7 eight million dollars for water injection operations in the  
8 six parcels of tide and submerged lands operated by the Long  
9 Beach Oil Development Company for the City of Long Beach.

10 The City of Long Beach is currently entering into  
11 contracts for the drilling of certain water injection wells  
12 which upon completion will be transferred for operational  
13 purposes to the Long Beach Oil Development Company. On  
14 review of the Office of the Attorney General, it has been  
15 determined that the procedure outlined is fully within the  
16 scope of the authorization and approval heretofore given by  
17 the State Lands Commission and it was felt that in order to  
18 have the record complete and clear and fully understood, in  
19 view of the fact that the City's drilling of the wells and  
20 then the transfer to the Long Beach Oil Development Company  
21 was not considered as a specific type situation at the time  
22 of the approval of the funds, that this item be reported to  
23 the Commission in the form of a progress report, in order  
24 that the Commission may be fully cognizant of what is going  
25 on. There is no action required by the Commission at this  
26 time. This is simply a report of a different type of

1 activity but within the scope of authorization, something of  
2 a type that had not been reported specifically to the Commis-  
3 sion heretofore.

4 GOV. ANDERSON: Any further comments or questions?  
5 If not, there is no action required on Item 13.

6 MR. HORTON: Mr. Chairman, I see you have someone in  
7 the audience who wishes to speak.

8 MR. BROWN: If I may, Mr. Chairman, briefly address  
9 the Commission, my name is Roy Brown . . . .

10 GOV. ANDERSON: Is this on Item 13?

11 MR. BROWN: I believe it's that item. I am appearing  
12 as attorney for the F. E. Gober Drilling Company, a drilling  
13 contractor, one of the contractors to whom the City of Long  
14 Beach has awarded a contract for the drilling of injection  
15 wells that are mentioned in this item.

16 I feel my client is in a serious dilemma in which he  
17 needs the help of the Commission. This contract that has  
18 been awarded to the Gober Drilling Company is a per diem  
19 type of contract for the employment of drilling contractors'  
20 equipment and crews for so much per day. It extends over a  
21 period of nine months. Under the terms of the contract, the  
22 drilling contractor will obligate himself to furnish his crews  
23 and equipment, and to purchase any equipment or tools and  
24 special services which cannot be conveniently furnished by  
25 the City -- that is, those items which are customarily  
26 furnished by an operator, but which the City because of its



1 municipal capacity can't conveniently furnish. The amount  
2 of the contract could possibly run into \$750,000 or there-  
3 about throughout the nine months' term.

4 I have advised the Govez Drilling Company that it is  
5 my opinion that Chapter 29 of the Statutes of 1956 require  
6 that this contract be consented to by the State Lands Com-  
7 mission. Otherwise, under the provisions of Chapter 29  
8 itself, the contract is void. The effect of the invalidity  
9 of this contract would be catastrophic to a contractor drill-  
10 ing for the City, engaged by the City . . . .

11 GOV. ANDERSON: May I ask a question? Have you  
12 taken this matter up with the staff yet?

13 MR. BROWN: I have, Mr. Chairman. We had a meeting  
14 with Mr. Kraft and Mr. Goldin of the Attorney General's office  
15 last week, leading up to the point that apparently it has  
16 been the staff's conclusion that this type of contract is not  
17 within the purview of Chapter 29; that it is conceived as a  
18 contract merely for the drilling of wells -- it doesn't per-  
19 tain directly to operations in the oil field in the phase or  
20 nature of producing the oil or gas, and therefore it is not  
21 required to be consented to by the Commission. That is the  
22 nice legal question which has to be resolved and about which  
23 there is a serious difference of opinion.

24 GOV. ANDERSON: Mr. Hortig, could I ask you a question  
25 on this? Is this something that we should be taking up at  
26 this time?

1 MR. HORTIG: Well, if I may summarize, Mr. Chairman,  
2 Mr. Brown's specific problem is not one that is on the agenda  
3 for the Commission for consideration today. Mr. Brown has a  
4 difference of legal opinion with the City of Long Beach and  
5 possibly with the Office of the Attorney General; and in the  
6 final analysis, the type of contract approval which Mr. Brown  
7 is seeking here today, as I understand it, is the type of  
8 approval which would normally and heretofore without excep-  
9 tion has resulted only from an application from the City of  
10 Long Beach to the State Lands Commission for approval, and  
11 we have no such application from the City of Long Beach.

12 MR. BROWN: May I offer this comment as to that, Mr.  
13 Hortig. It was my understanding that the City has consulted  
14 with the staff of the Commission as to the necessity of pre-  
15 senting this contract for approval by the Commission and that  
16 it had been advised that such consent was not necessary; and  
17 I believe that that is, perhaps, the reason no formal request  
18 was submitted.

19 This work that the City wants to have done, and for  
20 which it has awarded a contract to the Gober Drilling Company  
21 to do, is of utmost urgency to the City. My interest is in  
22 getting some basic policy decision, under which the City  
23 would be enabled to go ahead, the contractor would be enabled  
24 to proceed with doing the work the City so urgently wants.  
25 I feel that he can't do it without the Commission's consent.  
26 My information is that the staff of the Commission has

1 indicated that such consent is not necessary. I would feel  
 2 that the Commission would be in a position of certainly not  
 3 losing anything in any event. It has everything to gain,  
 4 not to lose, by giving its consent; and if the Commission can  
 5 assist me in some way in directing the means by which the  
 6 consent can be obtained, I would certainly appreciate it.

7 GOV. ANDERSON: We haven't been approving all the  
 8 individual items that have been coming up for the City of  
 9 Long Beach this way, have we?

10 MR. BORTIG: As a normal procedure, the Commission  
 11 has not, and has been guided by the opinions of the Attorney  
 12 General's office since the inception of the Chapter 29  
 13 Statutes of 1956. It is pointed out and was pointed out,  
 14 and has served as a guide post to the Commission, not to  
 15 enter into the day to day service contracts, by their opinion  
 16 saying:

17 "The City remains the trustee of the Long Beach  
 18 tidelands, with the power and duty of developing  
 19 their hydrocarbon resources for trust purposes.  
 20 In general, a trustee may exercise such powers as  
 21 are necessary or appropriate to carry out the pur-  
 22 poses of the trust and are not expressly forbidden  
 23 by the terms of the trust. Where, as here, dis-  
 24 cretion is conferred upon the trustee with respect  
 25 to the exercise of a power, its exercise is not  
 26 subject to control by the court or the beneficiary

1 "except to prevent an abuse by the trustee of  
2 his discretion. We do not believe that these  
3 principles are greatly affected by the general  
4 supervisory authority conferred on the State  
5 Lands Commission by Section 8(b) of Chapter 29.

6 However, Section 10 of Chapter 29 confers  
7 the additional authority upon the Commission to  
8 approve new operating contracts or modifications  
9 to existing contracts. In light of this section,  
10 the Commission should not approve any contract or  
11 amendment which is drafted in such broad terms  
12 that the agencies could bring about major policy  
13 changes without getting new approval from the Com-  
14 mission. On the other hand, a contract or amendment  
15 should have sufficient flexibility so that the  
16 parties may work out methods of implementing  
17 policy objectives without the necessity of repeated  
18 Commission action."

19 This has been summarized further in other places by  
20 Deputies of the Attorney General's office as indicating that  
21 the best analogy of the position of the Commission in connec-  
22 tion with oil and gas operations is the status of a silent  
23 partner in a partnership, where day to day operations, day  
24 to day contracting and so forth, are under the complete con-  
25 trol (subject only to post review) - - under complete control  
26 of the active party, or, in this case, the City of Long Beach.

1 GOV. ANDERSON: Does the Attorney General's office  
2 wish to comment on this? Do you feel this is something under  
3 our purview?

4 MR. GOLDBIN: Mr. Chairman, I think a brief explana-  
5 tion of the reasons why our office believes that this  
6 particular contract does not require Commission approval  
7 might be in order.

8 Now, it is our firm belief that Section 10(a) was  
9 intended to apply to drilling and operating contracts as  
10 distinguished from the present contract, which is merely a  
11 construction contract. In that connection I respectfully  
12 direct the Commission's attention to the language of Section  
13 10(a), which talks about contracts made and entered into with  
14 the highest responsible bidder. Now, quite obviously, in  
15 the case of this construction contract, the person who got  
16 the bid was not the highest responsible bidder but rather  
17 the lowest responsible bidder.

18 I further direct the Commission's attention to the  
19 very last sentence of Section 10(a), which reads as follows:

20 "All specifications and forms for the purpose of  
21 writing bids and in connection therewith shall be  
22 approved by the State Lands Commission prior to  
23 publication of notice to bidders."

24 Now, in the instant case, the contractor, Mr. Brown's  
25 client, has come in right in the middle of the proceeding.  
26 There was no opportunity afforded to the Commission to review

1 ~~specifications and forms for the purpose of inviting bids~~  
 2 ~~at all. It was only after the bids were awarded that Com-~~  
 3 ~~mission approval has been sought for this particular contract~~  
 4 ~~and, as I stated previously, it is our opinion that Section~~  
 5 ~~10(a) does not require Commission approval of this particular~~  
 6 ~~contract.~~

7 MR. BROWN: May I make one further brief comment?  
 8 I appreciate the opportunity to speak upon this at all and  
 9 will endeavor to keep my remarks very brief. I am highly  
 10 respectful of Mr. Goldin's comments about the effect of this  
 11 statute. I have, however, submitted this same question to  
 12 at least three other eminent lawyers in Long Beach, who share  
 13 the same concern that I do as to the interpretation which  
 14 would be put upon it by a court. Now, the thing that makes  
 15 law suits is difference of opinion between attorneys.

16 Mr. Gober of the Gober Drilling Company -- neither  
 17 he nor any other contractor with the City -- should be placed  
 18 in the position of being in jeopardy of receiving pay for  
 19 what they do. I don't think anyone would dispute that.  
 20 Certainly if a court would rule that this contract is one  
 21 which by reason of its nature should have the consent of the  
 22 State Lands Commission, Mr. Gober would not be able to be paid  
 23 for what he did regardless of how beneficial it might be for  
 24 the City or the State. It is just not right that a contractor  
 25 should have to assume the hazard of being correct in his  
 26 interpretation of this statute or that anyone is correct in

33  
1 interpreting the statute except a court of law. Therefore,  
2 I think it would be a great service to the City of Long  
3 Beach, and certainly would be of service to a contractor who  
4 wants to do a good job, for the Commission to take cognizance  
5 of this matter and as soon as it can be done give its consent  
6 to the contract if it finds that it should give its consent  
7 to it.

8 GOV. ANDERSON: I'd like to get the views of the City  
9 of Long Beach on this, if the City Attorney could let us  
10 know what they are.

11 MR. BRADY: Thank you, Mr. Chairman. My name is  
12 Philip Brady. I am Deputy City Attorney, City of Long Beach.  
13 We were not unaware of the problem that existed. If I  
14 might brief you in a few short words concerning the manner  
15 in which this situation arose: The Long Beach Oil Development  
16 Company is the principal tideland operator for the City of  
17 Long Beach. Under its contract it pays for all of the costs  
18 and expenses of drilling the oil wells, maintaining the oil  
19 wells, and also drilling and operating the water injection  
20 wells that the Board of Harbor Commissioners of the City of  
21 Long Beach directs it to drill. It then receives its reim-  
22 bursement back from 55.55% of the oil revenue from the parcels.

23 Under the amendments to the Long Beach Oil Development  
24 contract which authorizes the drilling of the injection wells  
25 and repressuring operations, there is a provision that in the  
26 event the Long Beach Oil Development cannot foresee that

1 within a ninety-day period following the directions of the  
 2 Board to drill certain water injection wells it will be able  
 3 to get reimbursement for the costs and expenses of drilling  
 4 those wells, it can elect not to drill those wells and it  
 5 will not be in default of its contract.

6 Now, we are faced with that situation at the present  
 7 time. As you are well aware, in having approved the various  
 8 cooperative agreements and other agreements in the past  
 9 several months, we have an accelerated program of repressuri-  
 10 zation in the Long Beach area. Particularly, we have been  
 11 directed to go ahead with the Naval Shipyard in Fault Blocks  
 12 I and II. The Long Beach Oil Development Company in that  
 13 particular area is operating, as you might term it, in the  
 14 red. When the Board of Harbor Commissioners directed them to  
 15 drill these particular water injection wells, they had no  
 16 alternative but to say they could not drill them because they  
 17 could not get their money back in the foreseeable future;  
 18 and, therefore, the City approached this problem with the  
 19 State Lands Commission's staff and the Attorney General's  
 20 office for the purpose of determining if there would be some  
 21 way of expediting the program and of getting the water injec-  
 22 tion wells drilled, which the Long Beach Oil Development Com-  
 23 pany agreed (after the wells were drilled) it would take over  
 24 and operate and maintain subject to the reimbursement from  
 25 the 55.55% of the oil revenue.

26 We discussed this at length. It was pointed out that



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

these particular wells were not wells drilled for the production of oil, but they were water injection wells drilled for the purpose of implementing the repressuring program which had been approved by the State Lands Commission heretofore, as Mr. Hortig indicated, with an eight million dollar ceiling. We indicated that in all these wells which would be drilled by the City under separate contract, the cost and expense would be chargeable to the eight million dollar ceiling and would be considered a part of the Long Beach Oil Development repressuring program. The wells as such have nothing to do with the operation or the production of oil. As to Section 10(a) of Chapter 29 as originally drafted back in 1956 -- it is my feeling (without committing the Attorney General's office, I feel we could share the same view) that it was for the purpose of protecting the undeveloped areas of the Long Beach tidelands from future oil development without first submitting any bid proposal that the City might have to the State Lands Commission, to determine whether or not it was a fair and equitable contract arrangement for oil production.

Now, we come to the position where we have to implement the repressuring program. The City feels that the Lands Commission has given approval to the repressuring program. The wells which are going to be drilled are wells which are approved in the plans of the Oil and Gas Supervisor, on which public hearings were held. They are not going to be producing wells. They will be turned over to the City's operator for injection

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

purposes as soon as they are drilled.

I have nothing but admiration for Mr. Brown in protecting his clients, but he has one client and one contract; the City of Long Beach has many operators and many problems, and if we are going to set a precedent today that each particular contract, however remote, will have to be approved by the Commission (which meets on a general basis of once a month) you can see where the City's operations are going to be. Where are you going to draw the line? If the City purchases a caisson which it is going to furnish to a contractor at a future date for injection well purposes, we are going to have to come up once a month to the Commission and submit a contract for approval.

The City is of the view we cannot enhance the representing program by getting particular approval of every contract that might in some degree relate to the water injection program.

Now, the water injection program has been approved in principle by the Commission; it has approved the expenditure; the staff of the Commission is advised of the operations being conducted. We would certainly welcome any considerations, objections, or representations of the staff in that regard, but we feel that we do not want this precedent set.

The City Attorney's office is preparing a contract which it will submit to Mr. Gober and under the contract it is provided that he has ten days within which to execute the

37  
1 contract or forfeit his bond. That's a matter which Mr.  
2 Brown will have to recommend to his client, but we feel at  
3 this time that we do not want any such precedent set, whereby  
4 every matter related to this program is going to have to be  
5 brought before the Commission.

6 GOV. ANDERSON: Mr. Carr, I believe, would like to  
7 ask a question.

8 MR. CARR: Mr. Brady, do I understand you to say  
9 that instead of accelerating this program, as Mr. Brown  
10 represents, that we would actually be slowing down the  
11 program if we set such a precedent that each and every such  
12 contract would have to be brought up for prior approval of  
13 the Commission?

14 MR. BRADY: Yes, I definitely do, because the language  
15 of Chapter 29 says "any contract relating to . . . ."

16 MR. CARR: Isn't it, according to the staff recommen-  
17 dation -- it's pretty clear at least as far as the Attorney  
18 General's office, your office and the staff is concerned,  
19 that Mr. Guber or any contractor in these circumstances  
20 apparently is not in the perilous position Mr. Brown fears,  
21 is that right?

22 MR. BRADY: That is the position of our office.

23 MR. ZWEIFACK: Mr. Brady, if the Commission were to  
24 look favorably upon this request by Mr. Brown, this would be  
25 some recognition that all of the bidders for supplies or  
26 well drilling contracts and so forth are now in a perilous

1 position unless they get this advance approval. Doesn't  
2 this also mean this is a major shift in policy and, in effect,  
3 instead of Long Beach being the trustee of the day to day  
4 operations, the entire work load would then transfer to the  
5 staff of the Lands Commission; and that every one of these  
6 items for a case of nails, or a fifty or fifty thousand dollar  
7 contract would have to come before the State Lands Commission?

8 MR. BRADY: Yes sir, and at least it would be an  
9 implied recognition by the City that a precedent had been  
10 set, that all future contracts relating thereto would have  
11 to come before the Commission; and, also, an implicit state-  
12 ment that the contractors who have already performed similar  
13 services for the City have illegal contracts, for which  
14 reimbursement has already been made, and they would be sub-  
15 ject to paying back to the City; and we would not like to  
16 place them in that position.

17 GOV. ANDERSON: I don't know what the other members  
18 think, but we have had considerable discussion of this in the  
19 past and it is the Chair's feeling that this is a matter  
20 which requires no Commission action. Unless there are some  
21 comments -- (no response) -- if not, this will be ruled out  
22 of order as requiring no Commission action.

23 MR. BROWN: Thank you very much.  
24  
25  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

GOV. ANDERSON: Item 14 -- Report on status of major litigation.

MR. HORTIG: Item 14 is for the information of the Commission on the status of major litigation to which the Commission is a party. There are no practical changes since the last report to the Commission, but the status as we state it here is in order that the Commission may have current information as to the litigation calendar.

GOV. ANDERSON: Anything further on it? (No response) If not, then, we will move to Item 15. Is there anything else before we take up the matter of the meeting date?

MR. HORTIG: No further business known to the staff.

GOV. ANDERSON: Any members have anything? Mr. Carr?

MR. CARR: No.

GOV. ANDERSON: Mr. Cranston?

MR. CRANSTON: No.

GOV. ANDERSON: If not, then, the next meeting of the Commission will be in Sacramento -- Thursday, nine a.m., October first. If there is no further business the meeting stands adjourned.

ADJOURNED 10:25 A.M.

\*\*\*\*\*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing thirty-nine pages contain a full, true and correct transcript of the shorthand notes taken by me at the meeting of the STATE LANDS COMMISSION in Los Angeles, California, on August 27, 1959.

DATED: Sacramento, California, August 31, 1959.

Louise H. Lillico