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STATE LANDS COMMISSION, STATE OF CALIFORNIA

Transcript of Proceedings
February 18, 1960
Los Angeles, California

Tryer, Merrill & Blodgett
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2 STATE LANDS COMMISSION, STATE OF CALIFORNIA
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8 Transcript of proceedings of meeting of State Lands
9 Commission, held at Room 806 State Building, Los Angeles,
10 California, on Thursday, February 18, 1960, at 3:20 p.m.
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14 THE COMMISSION:

15 Glenn M. Anderson, Lieutenant Governor, Chairman
16 John E. Carr, Director of Finance
17 Richard A. Walton, Administrative Assistant,
Deputy for Alan Cranston, State Controller

18 F. J. Hortig, Executive Officer
19 Fred W. Kreft, Assistant Executive Officer
20 Howard S. Goldin, Deputy Attorney General
21 John F. Hassler, Deputy Attorney General
22 Fred Zweiback, Executive Secretary to Lt. Governor
23

24 Reported by: Carroll S. Blodgett, CSR
25
26

--I-N-D-E-X--

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1 GOV. ANDERSON: The meeting of the State Lands
2 Commission will come to order. This is a special meeting,
3 and we will take up the Item Classification 1, Wilmington
4 Area, first.

5 MR. HORTIG: Mr. Chairman, if I may interrupt.

6 GOV. ANDERSON: Mr. Hortig.

7 MR. HORTIG: Mr. Chairman, may the record show that
8 Mr. Richard Walton is representing Controller Cranston on
9 appointment as Deputy Controller.

10 GOV. ANDERSON: Yes, and also show the other two
11 members are present. Do you want to proceed on these,
12 then, Mr. Hortig, and take them up?

13 MR. HORTIG: Yes, sir.

14 GOV. ANDERSON: The first is Item (a).

15 MR. HORTIG: As the Commission will recall with
16 respect to co-operative agreements for water injection
17 into Fault Blocks I and II, the Lands Commission has
18 heretofore approved such agreements as they affected lands
19 within the City of Long Beach within the Wilmington Oil &
20 Gas Field. The Commission now has before it on submittal
21 by the Board of Harbor Commissioners of the City of Los
22 Angeles the same type of co-operative agreement for the
23 same purpose, covering lands of the City of Los Angeles
24 which are still within the Wilmington Oil Field and also
25 within Fault Blocks I and II, with the request that pursuant
26 to the statutory requirements the State Lands Commission

1 approve this agreement in the same manner in which it has
2 been authorized previously for the City of Long Beach.

3 It is the opinion of the office of the Attorney
4 General that the submitted co-operative agreement conforms
5 with the requirements of the Public Resources Code, and
6 that it may be conditionally approved by the State Lands
7 Commission, and that approval under Section 6879 of the
8 Public Resources Code will satisfy the requirements of the
9 other applicable sections of the Code, specifically Sections
10 7058 and 7060 (b).

11 The reason for the conditional approval at this time
12 is that the Code requires a finding on behalf of the local
13 governmental organization of certain conditions having been
14 met. This finding is to be made by the Board of Harbor
15 Commissioners of the City of Los Angeles, but has not been
16 completed and, therefore, it is recommended that the State
17 Lands Commission find, and if you gentlemen will bear with
18 me, I will read these recommendations today because they
19 are exceedingly complex, rather than paraphrase them, to be
20 certain that we get the specific and correct language in
21 as recommended by legal counsel.

22 It is recommended that the Commission find, first,
23 that the entering into and the performance of the water-
24 flooding program known as Co-operative Agreement - Fault
25 Blocks I and II (Ranger and Upper Terminal Zones), Wil-
26 mington Oil Field, between General Petroleum Corporation,

1 from unreasonable waste, or that the subsidence or sinking
2 of such lands and abutting lands may possibly be arrested
3 or ameliorated thereby.

4 This condition to the consent is a verbatim restatement
5 of the requirements of the existing Public Resources
6 Code for such an agreement, and favorable action of the
7 Commission on the recommendation just read is recommended.

8 MR. CARR: Mr. Chairman, I move that the Commission
9 find in accordance with paragraphs 1 and 2 of this calendar
10 item 1.

11 MR. WALTON: Second the motion.

12 GOV. ANDERSON: I would like to ask a couple of
13 questions before we put it to a vote. It is my understand-
14 ing that you have been working on this roughly how long,
15 the planning and the engineering and--

16 MR. HORTIG: Well, actually, with respect to the
17 specific agreement, as you note, the Lands Commission has
18 previously approved the same type of agreement as of
19 October 29, 1959, for lands in the City of Long Beach. It
20 just happens that the arbitrary city limits between Long
21 Beach and Los Angeles divide these certain fault block
22 areas in the Wilmington Field, but geologically and
23 productionwise the lands are identical. We now have the
24 request from the City of Los Angeles that their lands be
25 included under an approved co-operative agreement identical
26 to that previously approved for the City of Long Beach

1 wouldn't be any question as to legality. You have had
2 sufficient time on this?

3 MR. HORTIG: To the extent that all reasonable legal,
4 engineering and audit reviews could be given to it. I
5 should state for the Commission that I believe it is the
6 consensus, while there might not be a consensus of legal
7 agreement as between all parties as to what all the details
8 of operation are going to be in the future, it is felt that
9 nothing further could be accomplished at this time by
10 further legal review; that any additional determinations
11 will necessarily come in the future from a judicial
12 determination, if such becomes necessary. In other words,
13 all the avenues and all the staff are exhausted.

14 GOV. ANDERSON: The reason I am asking the question,
15 I think you are aware that all of us want to do everything
16 we can to speed up the fight against subsidence, yet by
17 the same token I am voting on something here I have not had
18 a chance to personally check, and probably wouldn't under-
19 stand it even if I took a lot more time. I just want to
20 be sure that both the Attorney General's office and the
21 staff of the Lands Commission has done a thorough job in
22 studying all these agreements we are going to approve, and
23 can so state.

24 MR. HORTIG: I believe I can state unqualifiedly that
25 is the case.

26 GOV. ANDERSON: Any further questions?

1 MR. CARR: Why don't you ask the Attorney General's
2 office, their representatives are here?

3 MR. HORTIG: I only said, "I believe," because I was
4 in effect speaking for the Attorney General's office, and
5 they are here and can speak for themselves.

6 GOV. ANDERSON: I would feel a little better if I
7 knew they said it themselves.

8 MR. GOLDIN: Mr. Chairman, I have reviewed the current
9 co-operative agreement for Fault Blocks I and II, authoriz-
10 ation for the amending of the Parcel "W" drilling and
11 operating contract, and the Co-operative Agreement, Fault
12 Block I (Ranger Zone).

13 MR. HORTIG: Those are Items (a), (b) and (c), for
14 your information.

15 MR. GOLDIN: The Attorney General's office is satisfied
16 as to the legality. In all candor, I will confess to the
17 Commission that there are items that I would have under
18 ordinary circumstances insisted upon going back and being re-
19 done. We have made certain concessions in the interests
20 of repressurization and the exigencies of the situation,
21 but we do not believe that these concessions have in any
22 manner affected legality. For example, with respect to the
23 agreement currently under consideration, under ordinary
24 circumstances I would insist that the City of Los Angeles
25 make the factual determination required by 6879 before the
26 matter actually would be calendared before this Commission.

1 It is my understanding from the staff of the Commission
2 that the City's position is that it is necessary for them
3 to secure State Lands Commission approval before making
4 this particular determination. Rather than quibble over
5 whether it be made before or after, in the interests of
6 getting this show on the road, we have consented to this
7 mechanism of conditional approval, and we are going to
8 suggest that the minute this condition is met, we re-
9 calendar the item and have it ratified by the Commission
10 to seal up any possible loopholes. But, in answer to
11 your question with respect to the matters on which I have
12 worked, I am satisfied as to the legality.

13 MR. WALTON: Which factual determinations are you
14 talking about?

15 MR. GOLDIN: Mr. Walton, it is necessary pursuant to
16 Public Resources Code, Section 6879, for the City, before
17 committing tide and submerged lands to the co-operative or
18 unit agreement, and these are lands the grant of which
19 does not reserve to the State the right to produce oil and
20 gas therefrom, the City must determine, and I am going to
21 paraphrase, that it is in the interests of increasing the
22 ultimate recovery of oil or protection against unreason-
23 able waste or to ameliorate subsidence before entering
24 into such co-operative or unit agreement. The City of
25 Los Angeles has not yet formally made such a factual
26 determination required by the Code.

1 MR. HORTIG: Under the staff recommendation, if they
2 don't make such finding, however, there will also be no
3 State Lands Commission approval. The Lands Commission
4 approval under this procedure will be effective only as,
5 if and when the City does make this finding in conformance
6 with the law.

7 One of those cases of who goes first.

8 GOV. ANDERSON: Any further questions or comments?

9 Then, if there is no objection, the first item will
10 be approved.

11 The next is Item (b). That actually covered 1(a)?

12 MR. HORTIG: Yes.

13 GOV. ANDERSON: Now we are on 1 (b).

14 MR. HORTIG: Which appears on page 2 of your calendar
15 in detail.

16 Here we can summarize in that the operating contracts
17 under which the contractors for the City of Long Beach have
18 heretofore operated, when they were issued, of course, did
19 not contemplate and envision the necessity for providing
20 for the specialized type of accounting that will become
21 necessary in order to assure that everybody participates
22 properly in any plan of unit operation. Therefore, a re-
23 quest has been received from the City, and the office of
24 the Attorney General has reviewed the form of the agreement
25 which has been submitted, which would amend the existing
26 operating contract in which the Attorney General has advised

1 that pursuant to Chapter 29, the State Lands Commission
2 may properly give advance consent to the agreement amending
3 Parcel "W" drilling and operating contract, and in so doing
4 the Commission is approving in principle the institution
5 of a system of reimbursable unit accounting costs, or that
6 the City may in the future reimburse the contractor for
7 accounting costs which will arise as the result of any
8 operations under a unit plan, which unit plans are going to
9 be considered by the Commission later in this calendar.

10 Therefore, it is recommended that the Commission
11 authorize the Executive Officer to give advance consent to
12 the entering into of the agreement amending Parcel "W"
13 drilling and operating contract entered into on March 15,
14 1939, between the Board of Harbor Commissioners of the City
15 of Long Beach and the Long Beach Oil Development Company
16 to provide for reimbursement to the contractor for the
17 costs of keeping the additional accounts and records re-
18 quired under the proposed unit agreement and unit operating
19 agreement.

20 MR. WALTON: I will so move.

21 GOV. ANDERSON: It has been moved.

22 MR. CARR: Second the motion.

23 GOV. ANDERSON: It has been moved and seconded. Any
24 discussion on it?

25 If not, if there is no objection, then it is so
26 ordered.

1 we will go on to Item (c).

2 MR. HORTIG: Which appears on page 3 of your calendar.

3 Here again tide and submerged lands under the juris-
4 diction of the City of Los Angeles by reason of prior
5 legislative grant to the City of Los Angeles, but without
6 reservation of minerals to the State in the grant are in-
7 volved, and an agreement has been submitted by the City of
8 Los Angeles Board of Harbor Commissioners for approval,
9 which agreement provides for expanding water-flood
10 operations to the north of the Long Beach-Los Angeles
11 boundary line. On the other side, on the Long Beach side,
12 as we have already outlined to you, gentlemen, the Commis-
13 sion has heretofore approved co-operative agreements for
14 the Long Beach land. It will be necessary to co-ordinate
15 water injection under this agreement with water injection
16 operations to be conducted in the Ranger Zone in Fault
17 Block II, which is an essential part of the program for
18 repressuring the critical Navy shipyard area.

19 Numerous addenda have been submitted by the Board of
20 Harbor Commissioners of the City of Los Angeles in order to
21 bring the agreement into the form proposed, or into the
22 form which the Attorney General's office has suggested as
23 a minimum to comply with the Code and to permit the Commis-
24 sion to approve, again conditionally for the same reasons
25 as Deputy Goldin has outlined previously. Under ordinary
26 circumstances there would have been a request that an

1 entire new agreement be drafted, completely reflecting
2 all the operating requirements without conditions, but, in
3 order, again, and to quote Mr. Goldin, "to get the show on
4 the road," it is recommended that the Commission:

5 1. Find: First, that the entering into and the per-
6 formance of the agreement under the water-flooding program
7 known as Co-operative Agreement-Fault Block I (Ranger Zone),
8 Wilmington Oil Field, between the Los Angeles & Salt Lake
9 Railroad Company and its lessee, the Union Pacific Rail-
10 road Company, and Atlantic Oil Company, made and entered
11 into on the 15th day of October, 1959, including the
12 addendum thereto, is in the public interest; second, that
13 as required by Section 6879 of the Public Resources Code,
14 such agreement in its amended form provides that any im-
15 pairment of the public trust for commerce, navigation or
16 fisheries to which the granted lands are subject is pro-
17 hibited; third, that said agreement provides for its
18 submission to the State Lands Commission for approval.

19 It is recommended, secondly, that the Commission
20 approve said agreement subject to the express conditions
21 hereinafter set forth:

22 First, that the addendum to the co-operative agreement
23 Fault Block I (Ranger Zone) is duly executed by the parties
24 to the original co-operative agreement;

25 Second, that those parties who heretofore have
26 executed releases from possible liability sign and file

1 or cause to be filed with the Commission their written
2 consent to the amendments contained in the aforesaid
3 addendum; that a similar release from possible liability
4 be executed by Lockwin Oil & Gas Co., and be filed with
5 the Commission;

6 Third, that the City of Los Angeles in consenting to
7 and approving the execution of said co-operative agreement,
8 including the addendum thereto, make the determination
9 required by Public Resources Code Section 6879, namely,
10 that this co-operative agreement in its amended form is
11 in the interest of increasing the ultimate recovery of
12 oil or gas from such land, or of the protection of oil or
13 gas in said lands from unreasonable waste, or that the
14 subsidence or sinking of such lands and abutting lands
15 may possibly be arrested or ameliorated thereby;

16 And finally, this is a combination of the last two
17 items you gentlemen have on your written calendar, in which,
18 after discussion with counsel for Union Pacific and
19 Atlantic, and review and approval by the office of the
20 Attorney General, it is felt will represent a satisfactory
21 statement of the final condition to which approval should
22 be subject, namely, that Atlantic Oil Company hereby is
23 limited under said agreement to water injection only into
24 the Ranger Zone in Fault Block I of the Atlantic lands
25 covered by this agreement; and that Union Pacific Railroad
26 Company hereby is limited under said agreement to water

1 injection only into the Ranger and Upper Terminal Zones
2 in Fault Block I of the Union Pacific lands covered by this
3 agreement.

4 A favorable approval of the Commission to the resolu-
5 tion just stated is recommended.

6 GOV. ANDERSON: Without going into detail on the
7 previous question I asked before, this has been checked by
8 your division, by the Lands Commission staff, and has its
9 approval?

10 MR. HORTIG: As one of the three items.

11 GOV. ANDERSON: And the same answer as you gave
12 before on the part of the Attorney General's office?

13 MR. GOLDIN: Yes, Mr. Chairman.

14 GOV. ANDERSON: I wanted to make sure, so there would
15 be no question about it in my mind.

16 MR. CARR: Move the approval of the recommendation
17 of the Commission staff.

18 MR. WALTON: Seconded.

19 GOV. ANDERSON: Discussion? If not, then approval
20 granted.

21 We will go on, then, to Item 1 (d).

22 MR. HORTIG: 1 (d) appears on page 6, approximately
23 two-thirds of the way down in your calendar, gentlemen.

24 In order that the Commission may be completely in-
25 formed, this is the first of two similar types of agreements
26 proposed, first for Fault Block II, the second for Fault

1 Block III. The operating conditions, the legal require-
2 ments, and all, are very similar, though the geology and
3 geography are different. So, with your approval, Mr.
4 Chairman, I will cover in detail the proposal for Fault
5 Block II, and thereafter, if this is satisfactory to the
6 Commission, we can shorten the consideration of the oper-
7 ating mechanisms for Fault Block III.

8 The City of Long Beach has submitted for approval by
9 the State Lands Commission in accordance with applicable
10 provisions of law, copies of the Unit Agreement and Unit
11 Operating Agreement providing for the unitizing of all oil,
12 gas and other hydrocarbons produced from the unitized
13 formations in Fault Block II of the Wilmington Oil Field.
14 The purpose of the agreement is to achieve the following:
15 (1) To initiate and conduct repressuring operations in the
16 unitized formations in an effort to arrest or ameliorate
17 subsidence in the unit area in conformity with Article 5.5
18 of Chapter 1, Division 3, of the Public Resources Code of
19 the State of California; (2) To promote the conservation
20 of oil, gas, and other hydrocarbon substances in the
21 unitized formation; and (3) To increase the maximum
22 economic quantity of oil, gas and other hydrocarbon
23 substances ultimately recoverable from the unitized forma-
24 tions through repressuring operations.

25 Pursuant to the provisions of Section 3336 of the
26 Public Resources Code, the State Oil and Gas Supervisor

1 has determined that lands at or immediately adjacent to
2 the Wilmington Oil Field are subsiding and established the
3 boundaries of the subsidence area. In accordance with
4 Section 3319 of the Public Resources Code, upon application
5 and submission by the City of Long Beach of an engineering
6 report and plan for repressuring operations in pools in
7 the Wilmington Oil Field, which include the Tar, Ranger,
8 Upper and Lower Terminal Zones of Fault Block II, the
9 Supervisor held a public hearing and thereupon adopted the
10 repressuring plan set forth, subject to the specified re-
11 quirements for work to be done under the plan.

12 The Unit Agreement and the Unit Operating Agreement,
13 with accompanying exhibits, has been approved by the City
14 Council of the City of Long Beach and by its Board of
15 Harbor Commissioners, and resolutions have been adopted
16 making the findings required precedent to entry into such
17 agreements in compliance with the requirements of applicable
18 laws of the State of California.

19 On July 13, 1959, the State Lands Commission approved
20 a co-operative agreement, providing for the injection of
21 water into the four Upper Zones of Fault Block II, by and
22 between certain operators in Fault Block II, subject to the
23 condition that the agreement shall terminate when Long
24 Beach lands are committed to a Fault Block II unit--such
25 as the plan which is being considered here today.

26 The Unit Agreement and Unit Operating Agreement shall

1 become effective at 7:00 a.m. of the first day of the
2 calendar month in which the last of the following con-
3 ditions occurs, either singly or in combination:

4 1. The execution of the Agreement by the following
5 parties: Union Pacific, General Petroleum, Ford, and
6 Edison; or alternatively, all parties listed in Exhibit "A"
7 of the Agreement.

8 2. The delivery of executed counterparts to the
9 Union Pacific Railroad Company. And

10 3. The approval by the Supervisor under Section
11 3320.1(a) of the Public Resources Code.

12 The above requirements must be fulfilled prior to
13 March 1, 1960, or the agreement is of no further force or
14 effect.

15 The Agreement shall remain in effect as long as
16 unitized substances can be produced in commercially paying
17 quantities, provided, however, at any time after twenty
18 years from the effective date, the Working Interest Owners
19 can terminate the Agreement upon making required determin-
20 ations. Working Interest Owners shall mean the owners of
21 an interest held in lands by virtue of fee title, including
22 lands held in trust or by virtue of any lease under or
23 pursuant to which the owner of such interest has the right
24 drill for, develop and produce oil and gas. Working inter-
25 est shall be deemed to be vested in the owner even though
26 his rights to drill or produce may be delegated to a field

1 contractor or an operator under a drilling operation
2 agreement, unit agreement or other type of agreement.

3 Under the Agreement, the Working Interest Owners
4 shall exercise over-all supervision and control of all
5 matters pertaining to the repressuring, development and
6 operation of committed tracts and unitized formations and
7 shall make determinations and such approvals as they may
8 deem appropriate for the supervision and direction of the
9 "Unit Co-ordinator" and "Unit Operator". Each Working
10 Interest Owner shall have a voting interest equal to its
11 unit participation. The Unit Co-ordinator, under the
12 direction of the Working Interest Owners, shall have over-
13 all supervision of all unit operations. The initial Unit
14 Co-ordinator for Fault Block II will be the Union Pacific
15 Railroad Company. The Fault Block II Unit will be divided
16 into two segments. The area south of Seaside Boulevard in
17 the City of Long Beach is specified as Segment 1, with the
18 City designated as the Unit Operator. The area north of
19 Seaside Boulevard is specified as Segment 2, with the Union
20 Pacific Railroad Company designated as Unit Operator. Under
21 the Unit Co-ordinator, the Unit Operator will have direct
22 control of all unit operations.

23 During the interim period, and this is the period
24 after the Agreement becomes effective by reason of these
25 conditions having been met but all parties not having signed,
26 all other parties who may be interested in signing have one

1 year in which to sign. During this interim period which
2 continues from the effective date of an agreement until
3 engineering studies to determine tract equities within each
4 tract have been completed, tract participation will be
5 assigned to each tract in the ratio that the previous
6 year's tract production bears to the total previous year's
7 production from the unit, and each tract shall bear and pay
8 for that part of the unit expense which is equal to the
9 tract participation (except secondary costs of repressuring
10 operations). Tract primary equity will be established on
11 the estimated future recovery of crude oil, natural gas and
12 water for each well. Secondary tract assignments will be
13 based on originally oil saturated sands adjusted to natural
14 water encroachment and oil sales price. The cost of
15 secondary repressuring operations will be borne and paid
16 for out of the secondary production allocated to each tract
17 and shall include the cost of acquiring, drilling, redrill-
18 ing, equipping water injection wells, converting oil wells
19 to water injection wells, pumping and pipe line facilities,
20 and the cost of water purchased for injection purposes.
21 The creation of a unit program providing for the allocation
22 of production and the costs of continued development, pro-
23 duction and repressurization of a segment of a complex
24 oil-producing structure, under the control of numerous
25 operators such as Fault Block II, imposes innumerable
26 difficult prerequisites that must be resolved. The various

1 committees under the direction of the Management Committee
2 whose membership included trained personnel representing
3 many operators in Fault Block II have established methods
4 for allocating costs and unitized substances produced,
5 to the respective tracts. The proposed technical adminis-
6 trative procedures of the Agreement appear to the staff
7 to be reasonable and equitable. To insure flexibility
8 for adjustment of owners' interests, the Unit Agreement
9 provides for certain amendments to Unit Operating Agree-
10 ment by the Working Interest Owners consistent with the
11 terms of the Unit Agreement.

12 The general procedure of repressuring of an oil
13 zone through water injection is an accepted oil field
14 practice incident to increased oil recovery. In a "crash"
15 program designed to inject large quantities of water in a
16 minimum length of time (in the anticipation of ameliorating
17 subsidence in addition to accomplishing secondary recovery),
18 many shortcuts and assumptions in making calculations must
19 be taken. It is likely that certain essential parts of the
20 proposed water-flood program may not conform with the
21 technical and administrative procedures most desired by
22 oil-producing companies. Water-flooding operations usually
23 proceed slowly and result from the evaluation of pilot
24 floods, and are designed solely to increase ultimate
25 economic oil recovery, and thus allow time for making
26 detailed engineering studies of the results of injection

1 so that corrective measures may be taken to insure minimum
2 of by-passing of oil, maximum number of sand sections re-
3 pressured, and the prevention of migration of oil into
4 areas not included in the unit. Completely detailed en-
5 gineering studies, according to an advance schedule by
6 wells, for injection, production and testing must be made,
7 kept current and analyzed by an adequate staff to properly
8 guide the water injection program and correct for
9 deviations from desired performance. It is anticipated
10 that unitization will result in a more effective long-term
11 economic secondary recovery program.

12 The Unit Agreement, Unit Operating Agreement and
13 exhibits thereto have been reviewed as to legality by the
14 office of the Attorney General, who has advised that the
15 proposed Agreement conforms with applicable provisions of
16 law as to the legal sufficiency, and that it may be approved
17 by the State Lands Commission subject to favorable findings
18 by the staff as to administrative and engineering feas-
19 ibility and merit thereof.

20 The staff findings as to administrative and engineer-
21 ing feasibility and merits thereof I have already commented
22 on. They have been so found and are recommended by the
23 staff of the State Lands Commission.

24 Therefore, it is recommended that the Commission:

25 1. Find that the Unit Agreement and Unit Operating
26 Agreement, with accompanying exhibits, proposed for Fault

1 Block II, Wilmington Oil Field, includes tide and sub-
2 merged lands which have been granted by the State of
3 California to the City of Long Beach without reservation
4 to the State of the right to produce oil or gas therefrom;
5 that the City of Long Beach has submitted such agreement to
6 the State Lands Commission for approval; that such agree-
7 ment provides that any impairment of the public trust for
8 commerce, navigation or fisheries to which said granted
9 lands are subject is prohibited; and, that the entering
10 into and the performance of such agreement is in the public
11 interest.

12 2. It is recommended that the Commission approve the
13 aforesaid Unit Agreement and Unit Operating Agreement, with
14 accompanying exhibits, on behalf of the State, pursuant to
15 applicable law.

16 GOV. ANDERSON: Same assurances, I assume, are
17 forthcoming, both from your division and the Attorney
18 General's office on this?

19 MR. HASSLER: That is correct.

20 MR. HORTIG: I believe, with one modification, the
21 same assurances are forthcoming on behalf of the staff of
22 the State Lands Commission. This Unit Agreement and the
23 following one were reviewed specifically by Deputy Attorney
24 General John Hassler. This is the reason Mr. Goldin
25 limited his comments to the first three items, and possibly
26 the Commission would like an expression directly from Mr.

1 Hassler with respect to this item and the following one
2 on the calendar.

3 GOV. ANDERSON: Mr. Hassler, can you make such a
4 statement?

5 MR. HASSLER: Yes. The documents have been reviewed
6 extensively and found to be in order legally. Our office,
7 of course, doesn't look into the matter from an engineering
8 point of view. We defer that to Mr. Hortig's staff, but
9 from the legal point of view they are in order.

10 GOV. ANDERSON: And you have checked them thoroughly
11 from the engineering point of view?

12 MR. HORTIG: Engineering and audit.

13 MR. KREFT: This is one package.

14 GOV. ANDERSON: I understand Mr. Carr has read all
15 this.

16 MR. CARR: But I haven't rendered any opinion.

17 I will just move, pursuant to the recommendations of
18 the staff and the Attorney General's office, that we so
19 find.

20 MR. WALTON: Seconded.

21 GOV. ANDERSON: It has been moved and seconded. Any
22 discussion?

23 If not, then it will be approved unanimously, and so
24 ordered.

25 MR. CARR: I have an agreement with all lawyers and
26 doctors that I don't practice law or medicine. I will

1 stipulate to that.

2 GOV. ANDERSON: Item 1(e), Mr. Hortig.

3 MR. HORTIG: Which appears on page 10 of your calendar,
4 gentlemen.

5 Here is proposed for consideration of approval by the
6 State Lands Commission an agreement to provide for a unit
7 agreement, unit operating agreement, and exhibits thereto,
8 relating to Fault Block III to accomplish the same purposes
9 outlined for the program included for Fault Block II, and
10 which the Attorney General has, as you already been advised,
11 reviewed and found that the proposed agreement conforms with
12 the applicable provisions of law, and we can state that the
13 general comments relative to procedures developed for allocat-
14 ing costs and production and unit operation and the water
15 injection program as outlined for the Fault Block II agree-
16 ment are applicable to this Fault Block III agreement, and
17 have had the same Lands Commission engineering and audit
18 staff review and found to appear to be satisfactory.

19 Wherefore, it is recommended without repeating the
20 detailed review that has been just had for Fault Block II,
21 that the Commission:

22 First, find that the Unit Agreement and Unit Operating
23 Agreement, with accompanying exhibits, proposed for Fault
24 Block III, Wilmington Oil Field, includes tide and sub-
25 merged lands which have been granted by the State of
26 California to the City of Long Beach without reservation

1 to the State of the right to produce oil or gas therefrom;
2 that the City of Long Beach has submitted such agreement
3 to the State Lands Commission for approval; that such
4 agreement provides that any impairment of the public trust
5 for commerce, navigation or fisheries to which said granted
6 lands are subject is prohibited; and, that the entering
7 into and the performance of such agreement is in the public
8 interest.

9 It is recommended, secondly, that the Commission
10 approve the aforesaid Unit Agreement and Unit Operating
11 Agreement, with accompanying exhibits, on behalf of the
12 State, pursuant to applicable law.

13 MR. WALTON: So move.

14 MR. CARR: Seconded.

15 GOV. ANDERSON: It has been moved and seconded. You
16 have checked this one and it is recommended by the Attorney
17 General's office?

18 MR. HASSLER: Yes, it is recommended from the legal
19 approach.

20 GOV. ANDERSON: And you do from the engineering and
21 auditing viewpoint?

22 MR. HORTIG: Yes, sir.

23 GOV. ANDERSON: Any further discussion?

24 If not, then it will be approved unanimously, and
25 so ordered.

26 MR. HORTIG: The last item appears on page 12.

1 GOV. ANDERSON: This is Item 2?

2 MR. HORTIG: Yes, sir. On June 25, 1959, the
3 Commission approved conditionally costs proposed to be
4 expended by the Harbor Department of the City of Long Beach
5 in the 1959 fiscal year relating the subsidence remedial
6 work for "Pier A" area project, which included the provision
7 of a new administration building for the Harbor Department
8 of the City of Long Beach in lieu of the original building
9 which had been rendered partially, and ultimately undoubted-
10 ly will be rendered totally, uninhabitable^{by} reason of land
11 surface--extensive land surface subsidence.

12 Subsequent to this approval it developed that
13 additional costs will have to be disbursed by the Harbor
14 Department covering the expense of moving personnel from
15 and their equipment from the old administration building to
16 the new administration building.

17 This subproject has received initial staff review
18 and is considered to include some "subsidence costs" as
19 defined in Chapter 29, in the same manner that the con-
20 clusion was reached that the new administration building
21 so qualified. This review does not indicate necessarily
22 all of the costs as estimated by the City of Long Beach
23 will be allowable as subsidence costs.

24 Therefore, it is recommended that the Commission
25 approve the costs proposed to be expended by the City of
26 Long Beach, including subsidence remedial work as

1 indicated on Exhibit "A" attached and hereby made a part
2 hereof, for the period February 18, 1960, to June 30, 1960;
3 subject to the conditions, however, that the amounts, if
4 any, of each of the items to be allowed ultimately as sub-
5 sidence costs, deductible under Chapter 29, will be de-
6 termined by the Commission upon an engineering review and
7 final audit subsequent to the time when the work under any
8 of these items is completed; also subject to the condition
9 that the work to be performed conform in essential details
10 to the plans and background material heretofore submitted
11 to the Commission, and that the Executive Officer, the
12 Assistant Executive Officer, or the Supervising Mineral
13 Resources Engineer be authorized to execute appropriate
14 written instruments reflecting the Commission's conditional
15 approval.

16 GOV. ANDERSON: Any questions.

17 MR. CARR: I so move, Mr. Chairman.

18 GOV. ANDERSON: It has been moved.

19 MR. WALTON: Seconded.

20 GOV. ANDERSON: And seconded.

21 If there is no further discussion, it will then be
22 approved unanimously, and so ordered.

23 MR. CARR: I am just curious about one item--moving
24 the personnel. How much of this cost of moving is for
25 moving personnel? Mr. McArthur, you know, has objected to
26 the superfluous use of State automobiles. Are they going

1 to move in State automobiles or hire taxis, or how are
2 they going to get over there? Mr. Vickers?

3 MR. VICKERS: This will be purely for the matter of
4 moving furniture. The personnel will move on their own
5 feet.

6 GOV. ANDERSON: Do you have anything more?

7 MR. HORTIG: Nothing further, Mr. Chairman.

8 GOV. ANDERSON: I would just like to ask a couple of
9 questions on the calendar. I understand our next meeting
10 is here in Los Angeles in about a week?

11 MR. HORTIG: Yes, sir, it is Thursday, the 25th, at
12 10:00 o'clock.

13 GOV. ANDERSON: Now, for setting up my own calendar,
14 the following meeting would normally be the 24th in the
15 North, that is, unless the Commission directs otherwise?

16 MR. HORTIG: Let me see.

17 GOV. ANDERSON: The fourth Thursday. I want to sort
18 of plan ahead. Can we plan on the meeting in March to be
19 on the fourth Thursday?

20 MR. HORTIG: Yes, sir.

21 GOV. ANDERSON: In Sacramento?

22 MR. HORTIG: Yes, sir.

23 GOV. ANDERSON: Is that all right with you?

24 MR. CARR: Yes.

25 MR. WALTON: Yes.

26 MR. CARR: What date would the fourth Thursday be?

1 GOV. ANDERSON: The fourth Thursday would be the
2 24th.

3 MR. HORTIG: Let me verify one thing. Do you recall
4 if you were informed of the change of hour for our next
5 meeting?

6 GOV. ANDERSON: The February meeting will be here at
7 10:00 o'clock in Los Angeles. The March meeting will be at
8 9:00 o'clock in Sacramento.

9 MR. HORTIG: Yes.

10 GOV. ANDERSON: If there is nothing more, then the
11 meeting is adjourned.

12 (Whereupon, at 4:10 p.m., the meeting adjourned.)
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REPORTER'S CERTIFICATE

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I hereby certify that the foregoing proceedings are a full, true and correct transcript of my shorthand notes taken as official reporter of the State Lands Commission at the hearing covered herein.

Dated: Feb. 23, 1960.

Larry S. Smith
Official Reporter