

1 TRANSCRIPT OF
2 MEETING
3 of

4 STATE LANDS COMMISSION

5 LOS ANGELES, CALIFORNIA

6 AUGUST 28, 1961

7 PARTICIPANTS:

8 THE COMMISSION:

9 Hon. Glenn M. Anderson, Lieutenant Governor, Chairman

10 Hon. Alan Cranston, Controller

11 Hon. Hale Champion, Director of Finance

12 Mr. F. J. Hortig, Executive Officer

13 Mr. Don Rose, Executive Secretary to
14 Lieutenant Governor Anderson

15 OFFICE OF THE ATTORNEY GENERAL:

16 Mr. Jay L. Shavelson, Deputy Attorney General

17 APPEARANCES:

18 Mr. Gerald Desmond, City Attorney,
19 City of Long Beach

20 Mr. Richard F. Marshner, District Land Agent
21 Shell Oil Company

I N D E X
(In accordance with calendar summary)

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<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
1 Confirmation of minutes meeting of June 22, 1961			1
2 PERMITS, EASEMENTS, AND RIGHTS-OF-WAY, NO FEE			
(a) Pacific Tel. & Tel. Co.	13	1	1
3 PERMITS, EASEMENTS, LEASES, RIGHTS-OF WAY -- FEE			
(a) Jack Benton	11	2	1
(b) Port Stockton Boaters	12	3	1
(c) Standard Oil Co. of Cal.	5	5	1
(d) Standard Oil Co. of Cal. and Shell Oil Company	19	6	2
(e) Stanley A. Tarnor	7	7	2
(f) United States of America	9	8	2
MOTION ON CLASSIFICATION 3 -----			2
4 CITY OF LONG BEACH			
(a) Pier A, Berths 1 & 2, Back Area, Filling & Paving (2nd phase)	3	9	2
MOTION ON CLASSIFICATION 4 -----			2
<u>SUPPLEMENTAL CALENDAR ALL CITY OF LONG BEACH</u>			
(See Items 12 et seq)			
5 SALES OF VACANT SCHOOL LAND			
(a) Warren J. Flournoy	14	11	8

- continued -

I N D E X

(In accordance with calendar summary)

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<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
6 SELECTION AND SALE OF VACANT FEDERAL LANDS, etc.			
(a) Searles Valley Devel. Co.	15	12	9
(b) " " " "	16	14	9
7 SELECTIONS OF VACANT FEDERAL LANDS, LIEU LAND APPLICATIONS			
(a) 40 acres in San Bernardino County	2	16	9
(b) 160 " " " "	1	17	9
8 PROPOSED OIL AND GAS LEASE, VENTURA COUNTY - PARCEL 5	18	18	11 (taken off calendar)
9 MINERAL EXTRACTION LEASE BED OF NOYO RIVER - E.T. BAXMAN	4	20	12
10 CONFIRMATION OF TRANSACTIONS CONSUMMATED BY EXEC. OFFICER	8		13
Edmiston, Kenneth & Marjorie		22	
Jones, Paul K		22	
Recreational Permits		25	
Shell Oil Company		23-24	
11 INFORMATIVE ONLY:			
(a) Objections to submarine geophysical operations Orange County	20	26	13
(b) Proposed ocean-floor oil-well completion by Texaco Oil & Gas Lease PRC 2725.1	6	27	14
(c) Approved 1961 legislation	17	28	25
(d) Status of major litigation	10	35	26

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I N D E X

(In accordance with calendar summary)

3	<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
4	12 CITY OF LONG BEACH (SUPPLEMENTAL CALENDAR)			
5	(a) Unit Agreement and Unit Operating Agreement Fault Block IV Wilmington Oil Field	23	37	3
8	MOTION ON ITEM CLASSIFICATION 12a-----			4
9	(b) Approval of second amend- ment to Oil and Gas Lease 1960 Unit 1 - Cit. Long Beach et al and Superior Oil and Humble Oil	22	40	4
12	(c) Approval of amended drilling and operating con- tract City Long Beach and Termo Company et al	21	42	4
15	(d) Approval of agreement amending drilling and oper- ating contract 1/10/39 City of Long Beach and its Board of Harbor Comm., Signal Oil, and Long Beach Dock and Terminal Company	24	45	5
19	(e) Approval of agreement amending drilling and operat- ing contract 3/6/41 Board of Harbor Comm. City of Long Beach and Signal Oil and Gas	25	47	5
21	MOTION ON ITEM CLASSIFICATION 12(b)(c)(d)(e)---			8
23	13 Next Commission meeting			23

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I N D E X

(In accordance with calendar items)

ITEM ON PAGE OF PAGE OF : ITEM ON PAGE OF PAGE OF
CALENDAR CALENDAR TRANSCRIPT : CALENDAR CALENDAR TRANSCRIPT

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1 GOV. ANDERSON: The meeting of the State Lands
2 Commission will come to order.

3 The first item is the confirmation of the minutes of
4 the meeting of June 22, 1961.

5 MR. CRANSTON: Move approval.

6 GOV. ANDERSON: Move approval without reading.

7 MR. CHAMPION: Second.

8 GOV. ANDERSON: Seconded, so ordered. Item 2 is
9 permits, easements and rights-of-way to be granted to public
10 and other agencies at no fee, pursuant to statute, and the
11 first applicant is the Pacific Telephone and Telegraph Company
12 a submarine cable across 49/100 acre of submerged lands between
13 Union Island and Drexler Tract at the Tracy Road Bridge, San
14 Joaquin County.

15 MR. CRANSTON: I move approval.

16 MR. CHAMPION: Second.

17 GOV. ANDERSON: Moved and seconded -- no objection,
18 so ordered.

19 Item 3 is permits, easements, leases, and rights-of-
20 way pursuant to statutes and established rental policies of
21 the Commission. First applicant: Jack Benton -- Termination
22 and cancellation of Lease FRC 2608.1, 13.60 acres tide and sub-
23 merged lands in old channel of San Joaquin River, San Joaquin
24 County; item (b) is Port of Stockton Boaters, Incorporated, a
25 15-year lease of 13.50 acres in old channel of San Joaquin
26 River, San Joaquin County; item (c) is Standard Oil Company of

1 California -- approval of assignment by Humble Oil and Refining
 2 Company of its interest in Oil and Gas Lease PRC 2199.1, Santa
 3 Barbara County; item (d) Standard Oil Company of California and
 4 Shell Oil Company -- Deferment from October 14, 1961 to April
 5 13, 1962 of drilling requirements, Oil and Gas Lease PRC 2198.1
 6 offshore Santa Barbara County; item (e) is Stanley A. Tanner --
 7 Assignment to Basic Resources Corporation of prospecting permits
 8 in San Benito County; item (f) is United States of America --
 9 lease for use as part of landing field at Desert Center, River-
 10 side County, of 40 acres of school land for period July 1, 1961
 11 to June 30, 1962 at the rental of \$100.

12 MR. GRANSTON: I move approval of all Item Classifi-
 13 cation 3 matters.

14 MR. CHAMPION: Second.

15 GOV. ANDERSON: Moved and seconded, no objection so
 16 ordered.

17 Item 4 is City of Long Beach -- Approvals required
 18 pursuant to Chapter 29/56, First Extraordinary Session:

19 Project (a) is Pier A, Berths 1 and 2, Back Area,
 20 Filling and Paving (second phase) -- estimated subproject
 21 expenditures from August 28, 1961 to termination of \$43,000
 22 with \$36,120 or 84% estimated as subsidence costs.

23 MR. GRANSTON: Move approval.

24 MR. CHAMPION: Second.

25 GOV. ANDERSON: Moved and seconded. If there is no
 26 objection, so ordered; and in deference to the people here from

1 Long Beach -- we understand they are all here -- if there is
2 no objection, we would like to move ahead to the supplemental
3 calendar items, which are all City of Long Beach, and then pick
4 up the others.

5 MR. HORTIG: Starting on page 37.

6 GOV. ANDERSON: Starting on page 37 of the calendar,
7 under supplemental calendar items, item 12: City of Long
8 Beach (Approvals required pursuant to Chapter 29/56, the First
9 Extraordinary Session -- Item (a) is the approval of unit agree-
10 ment and unit operating agreement, with accompanying exhibits,
11 proposed for Fault Block IV, Wilmington Oil Field. Do you want
12 to explain that, Frank?

13 MR. HORTIG: Yes, Mr. Chairman. As you and Commis-
14 sioner Cranston will recall, and particularly for the benefit
15 of Commissioner Champion, the Commission has heretofore, in
16 accordance with statutes and pursuant to application by the
17 City of Long Beach, approved unit agreements and unit operating
18 agreements in the same substantive form as that being considered
19 here this morning for operations to be conducted on Fault Blocks
20 II and III, two segments of Wilmington Oil Field. On Fault
21 Block IV under discussion here this morning, therefore, the form
22 of approval is as to authorizations which will permit unitized
23 or cooperative operations by all operators under a contract to
24 achieve the maximum that is feasible from the standpoint of
25 economics as an oil operation and with corollary benefits to
26 subsidence alleviation for that geologic segment that is

1 separated out of the Wilmington Oil Field and designated as
2 Fault Block IV.

3 The field, Director Champion, is separated approxi-
4 mately into seven separate operating segments. The segment on
5 Fault Block I is under long range study as to what might be
6 done in terms of unit operation and repressurization; Fault
7 Blocks II and III have already been approved heretofore, as I
8 have indicated, and are in successful operation; Fault Block
9 IV is the next logical segment to be included in this operation.

10 All resolutions required by Long Beach authorities --
11 resolutions at the municipal level -- have been adopted, and
12 the office of the Attorney General has reviewed the draft of
13 agreements and found them to be legally acceptable and qualified
14 for consideration for approval by the Commission; and the
15 technical and administrative procedures of the agreements have
16 been reviewed and are recommended by the staff of the State
17 Lands Division.

18 MR. CRANSTON: I move approval.

19 MR. CHAMPION: Second.

20 GOV. ANDERSON: It has been moved and seconded --
21 no objection, so ordered.

22 Item (b) is authorization for the Executive Officer
23 to certify approval of the second amendment to Oil and Gas
24 Lease 1360 Unit 1 between the City of Long Beach, et al, Lessors,
25 and Superior Oil Company and Humble Oil & Refining Company,
26 Lessees.

1 MR. HORTIG: Mr. Chairman, may I suggest that the
 2 same explanation as to purpose and recommendation for approval
 3 is applicable to items (b), (c), (d) and (e). You might like
 4 to announce these and then they can be covered in a group.

5 GOV. ANDERSON: Then we will take up items (b), (c),
 6 (d) and (e) at one time and it will be one explanation. Item
 7 (b) we have just read. Item (c) is the authorization for the
 8 Executive Officer to certify approval of amended drilling and
 9 operating contract (amendment of 1961) between the City of Long
 10 Beach and the Termo Company, et al. Item (d) is the authoriza-
 11 tion for the Executive Officer to certify approval of agreement
 12 amending drilling and operating contract dated January 10, 1939
 13 (amendment of 1961) between the City of Long Beach and its
 14 Board of Harbor Commissioners as first parties, Signal Oil and
 15 Gas Company as second party, and Long Beach Dock and Terminal
 16 Company as third party. Item (e) is authorization for Executive
 17 Officer to certify approval of agreement amending drilling and
 18 operating contract dated March 6, 1941 (amendment of 1961) be-
 19 tween the Board of Harbor Commissioners of the City of Long
 20 Beach and the Signal Oil and Gas Company.

21 MR. HORTIG: Mr. Chairman, again as the Commissioners
 22 will recall, there are in operation between the City of Long
 23 Beach and various lessees, some of whom are enumerated in items
 24 (b) through (e), oil and gas leases which should be included
 25 for most effective operation under unit agreements and unit
 26 operating agreements -- leases which were entered into long

1 enough ago in the past that they have limited operating times
 2 left to run and, therefore, caused concern to the present
 3 lessees as to the justification of capital expenditures in a
 4 limited period. As a result, all of these lessees have nego-
 5 tiated with the City of Long Beach for extensions of the terms
 6 of these leases in order to justify the economics of the pro-
 7 posed operations, which is authorized under statute. Addi-
 8 tionally, in view of the pending litigation between the State
 9 of California and the City of Long Beach, questioning the nature
 10 of the title to some of these lands -- as to whether they are
 11 actually City-owned land or are in fact tide and submerged lands
 12 located within the original limits of the tidelands grants by
 13 the Legislature to the City of Long Beach -- there is specific
 14 statutory authority under the Statutes of 1959 for the extension
 15 of leases on such questioned lands, provided that the State
 16 Lands Commission approves such extensions.

17 This is the reason for the presentation for approval
 18 of the amendments proposed under items (b) through (e) --
 19 because these leases in whole or in part, as contended by the
 20 State of California, may embrace filled tide and submerged lands
 21 or actually original tide and submerged lands which were granted
 22 to the City of Long Beach.

23 As I stated, the approval of this type of extension
 24 is specifically authorized in the Statutes of 1959. Over and
 25 above that, to assure that all parties to these approvals will
 26 be aware of the pending litigation between the State and the

1 City of Long Beach, the Attorney General's Office has reviewed
2 this program and has informed the City Attorney of the City of
3 Long Beach, and I believe there are some understandings or
4 letters of agreement which Deputy Attorney General Shavelson
5 would like to report to the Commission to assure that the Com-
6 mission has full basis and the full control in connection with
7 these approvals that it should have..

8 GOV. ANDERSON: Mr. Shavelson.

9 MR. SHAVELSON: Thank you. Two matters I'd like to
10 mention: First, in connection with the approval of both the
11 amendatory agreements that have already been approved in connec-
12 tion with the execution of the Fault Block III agreement and
13 the Fault Block IV agreement, there is a stipulation between
14 the Attorney General's Office and the City Attorney that this
15 approval will not affect any of the issues in this boundary
16 litigation, and we have executed a similar stipulation in con-
17 nection with the approval of the fault block agreements them-
18 selves -- so we feel that the Commission's action will not
19 affect, nor the City's action in submitting these agreements to
20 the Commission will not affect either way upon the rights of
21 the City or State in connection with that litigation.

22 In connection with the agreements, there is one
23 other matter I'd like to mention: There was one minor reserva-
24 tion in our plans on 130- (c) as to the exact compliance with
25 the statute and we had not gotten the factual verification to
26 yet we had hoped to get. Nevertheless, I am going to advise

1 the Commission orally that it is within its power to approve
2 the agreement and that the contractors involved may be regarded
3 as successors in interest to the Termo Company. The legal
4 problem involved was as to one of the minor contracts that is
5 being amended. It did not appear that any of the enumerated
6 operators set forth in Chapter 704/61 had any interest; but as
7 I have said, our office is ready to advise you that you may
8 approve this.

9 GOV. ANDERSON: Any further comments or questions?

10 MR. CRANSTON: I move approval.

11 GOV. ANDERSON: Would the City Attorney like to say
12 anything on this?

13 MR. DESMOND: We have nothing further. We have
14 turned over to Mr. Shavelson the stipulation referred to.

15 MR. CHAMPION: I'll second it.

16 GOV. ANDERSON: You have heard the motion and the
17 second. I assume that motion applies to items (b), (c), (d),
18 and (e) under Item 12?

19 MR. CRANSTON: Yes.

20 GOV. ANDERSON: If there is no objection, it is passed
21 unanimously.

22 Now, then, we will go back to Item 5 on the calendar.
23 That finishes all the matters concerning the City of Long Beach.

24 Item 5 -- Sale of vacant School lands. The item here
25 presented has been reviewed by all State agencies having a land
26 acquisition program and no interest has been reported by those

1 agencies in the land proposed for sale. Applicant (a) is
2 Warren J. Flournoy; parcel has an appraised value of \$19,200
3 and that is the bid.

4 MR. CRANSTON: I move approval.

5 MR. CHAMPION: Second.

6 GOV. ANDERSON: Moved and seconded. If there is no
7 objection, so ordered.

8 Item 6 is the selection and sale of vacant Federal
9 lands and confirmation of three extensions totaling 85 days
10 within which applicants may deposit additional funds to meet
11 appraised value. Applicant (a) is Searles Valley Development
12 Company -- appraised value \$15,437.50 and that is the bid.
13 It is my understanding that these items here also have been
14 reviewed by all agencies having a land acquisition program and
15 they have reported no interest. Is that correct, Mr. Hortic?

16 MR. HORTIC: That's correct.

17 GOV. ANDERSON: Item (b) Searles Valley Development
18 Company -- Appraised value \$1,450 and the bid is the same.

19 MR. CRANSTON: I move approval.

20 MR. CHAMPION: Second.

21 GOV. ANDERSON: Moved and seconded. If there is no
22 objection, so ordered.

23 Item 7 is the selection of vacant Federal lands, lieu
24 land applications, on behalf of the State. Applicants failed
25 to deposit required funds within specified period. Item (a)
26 is 40 acres in San Bernardino County; item (b) 160 acres in

1 San Bernardino County. Would you explain this just briefly,
2 Frank?

3 MR. HORTIG: Yes sir. For both of these items, one
4 explanation should suffice. Applications were received originally
5 from private parties, who deposited the minimum funds required
6 by law, seeking to have acquired for them through the State of
7 California under existing statutes vacant Federal lands -- a
8 procedure that has been authorized for almost one hundred years
9 in some form or other. After the application had been made by
10 the State of California and prior to the moratorium of the
11 State Lands Commission of May 24, 1960, the Bureau of Land
12 Management of the Department of Interior informed the State of
13 California that these lands desired could be transferred to the
14 State of California in satisfaction of losses to the School
15 Land Grant in lieu of lands to which the State was entitled,
16 which the Federal Government had not heretofore transferred to
17 the State of California.

18 Under State statutes, lands so received and on which
19 there is an application, would be sold to the applicant at the
20 appraised value. After being informed by the Bureau of Land
21 Management of the pendency of transfer of these lands to the
22 State, the lands were appraised; the appraised value communi-
23 cated to the original applicant, who in each instance indicated
24 that the appraised value was higher than the applicant desired
25 to pay and, therefore, the applicant has withdrawn his applica-
26 tion to purchase.

1 These lands can still be acquired by the State of
2 California and in the case of these two parcels it is felt by
3 the appraisal staff that they are of such value that they would
4 be valuable as additions to the roster of vacant lands under
5 the jurisdiction of the State Lands Commission, to be admini-
6 strated or disposed of in whatever form and under whatever pro-
7 cedure the Lands Commission establishes in the future after
8 having considered a report which is being developed by the
9 State Lands Division to recommend future land disposition or
10 administration policies to the Commission. You gentlemen will
11 also recall that the preparation of this report was directed
12 at the meeting of May 24, 1960, when the moratorium on the
13 acceptance of further applications was adopted.

14 MR. CRANSTON: Mr. Chairman, I move the selection be
15 approved.

16 MR. CHAMPION: Second.

17 GOV. ANDERSON: It has been moved and seconded --
18 no objection, so ordered.

19 Item 8 -- I understand this item has been removed
20 from the agenda.

21 MR. HORTIG: Yes sir. If I may explain to the Com-
22 mission, this was a matter of over enthusiasm. After counting
23 the days on the calendar, the item is perfectly fine except
24 that the State Lands Commission under the statute may not
25 make the determination recommended in less than thirty days
26 after a public hearing is held. Inasmuch as the subject public

1 hearing on this item was held on July 31st, today is just two
 2 days short of the thirty days. Hence, this item will appear a
 3 again on your agenda for your meeting of September 14th, by
 4 which time the required statutory lapse of time will have
 5 elapsed.

6 GOV. ANDERSON: Item 9 -- Authorization for issuance
 7 of mineral extraction lease for sand and gravel to E. T. Baxman,
 8 dba Baxman Gravel Company, on 9.45-acre parcel of tide and sub-
 9 merged lands in bed of Noyo River, Mendocino County, at royalty
 10 of six cents per cubic yard, plus additional increment of
 11 .00142 of the sales price in excess of 30¢ per cubic yard.
 12 Frank, will you explain that?

13 MR. HORTIG: Yes sir. This is actually the second
 14 bid on the second offering with respect to this specific parcel
 15 of tide and submerged lands, the first series of bids having
 16 been rejected because of technical defects in the bids submitted.
 17 This is a high bid at the present time, even in comparison with
 18 other sand and gravel extraction leases recently considered by
 19 the State lands Commission; is also the only bid which was re-
 20 ceived for this particular parcel.

21 I should also like to bring to the attention of the
 22 Commission that the specific parcel and location thereof will
 23 be located within the exterior limits of the Noyo Harbor District
 24 which will become effective on September 14th. The Commission
 25 has the full statutory rights to proceed with the issuance of
 26 this extraction lease, inasmuch as the grant will reserve to the

1 State all the minerals within the exterior limits. This situa-
2 tion is possibly unique in that the prospective grantees, Noyo
3 Harbor District, has already replied that they would look with
4 favor on this lease and the operations even within the grant.

5 MR. CRANSTON: I move approval.

6 MR. CHAMPION: Second.

7 GOV. ANDERSON: Moved and seconded; if no objection,
8 so ordered.

9 Item 10 -- Confirmation of transactions consummated
10 by the Executive Officer pursuant to authority confirmed by the
11 Commission at its meeting on October 5, 1959.

12 MR. HORTIG: Mr. Chairman, as pages 22 to 25 indicate,
13 these transactions consisted of two assignments of grazing
14 leases and two extensions of geophysical exploration permits
15 previously authorized by the State Lands Commission after full
16 consideration at a public meeting, and one extension of a
17 geological permit similarly authorized by the State Lands Com-
18 mission. It is recommended that these actions be confirmed
19 for the record.

20 MR. CRANSTON: I move such approval.

21 MR. CHAMPION: Second.

22 GOV. ANDERSON: Moved and seconded -- no objection,
23 so ordered.

24 Item 11 -- Informative only, no Commission action
25 required: Item (a) is the report on objections to submarine
26 geophysical operations in certain areas of Orange County,

1 Richfield Oil Corporation. All known objecters have been
2 notified that no hearing will be conducted on this subject at
3 this meeting. Any comment, Frank?

4 MR. HORTIG: First, Mr. Chairman, we are not aware
5 whether there is any attendance this morning on behalf of the
6 general item, and I would recommend that it might be helpful
7 if you made inquiry as to whether anyone desires to present any-
8 thing with respect to this item, even though it is not up for
9 consideration of any action of any type by the Commission this
10 morning.

11 GOV. ANDERSON: Is there anyone in the room today who
12 wishes to make any comment or objection relative to the item of
13 geophysical operations on certain areas of Orange County? Even
14 though the matter is not up for action, if there is any comment
15 we would like to have it. (No response) Apparently there is
16 no one here.

17 Item (b) Report on proposed ocean-floor oil well
18 completion by Texaco Inc. on Oil and Gas Lease PRC 2725.1,
19 Santa Barbara County.

20 MR. HORTIG: Mr. Chairman, if the Commissioners will
21 refer to the second exhibit following page 27, on a lease of
22 Texaco Inc. issued originally in 1953 pursuant to competitive
23 public bidding there has now been installed a third type of
24 underwater well head installed on the ocean floor -- a third
25 type of the types that have been reported to the State Lands
26 Commission. This probably constitutes the fifth type in

1 existence in the world -- the first type having been installed,
 2 as previously reported to the Commission, by a subsidiary, a
 3 joint operator of Richfield Oil in South America, off the coast
 4 from Peru; the second type, on which there is very limited
 5 public information, has been installed by the Shell Oil Company
 6 offshore the Gulf Coast of Louisiana.

7 Of the three on State leases approved by the State
 8 Lands Commission, the first is on a lease of Richfield Oil
 9 Corporation in Rincon Field; the second type being installed
 10 by the Standard Oil Company of California offshore Santa Barbara
 11 County; and in the same series, Texaco has now installed the
 12 unit shown on the second exhibit following page 27 -- which
 13 from an over-all design standard is a compact, rugged installa-
 14 tion which is installed on the ocean floor, complete with its
 15 protective casing, projecting only seventeen feet over the
 16 ocean floor, with production to be piped to shore; with pro-
 17 tected pipelines laid along the ocean floor; and, again, as
 18 suggested by the Commission's technical staff, the operator has
 19 incorporated stress monitoring facilities in the unit, so that
 20 the design of the unit can be verified by test and any diffi-
 21 culties can be anticipated during the period of initial operations
 22 because the actual stresses and pressures to which the unit is
 23 subjected for the first time under operation are measurable as
 24 of the time they occur.

25 Again, as on previous units designed, they are
 26 mechanically structurally stable and incorporate adequate factors

1 of safety to insure there can be no mechanical defect; there
 2 can be no inadvertent spillage of oil on the ocean floor; and
 3 this well over which this particular unit is located again
 4 includes, and again at the request of the Commission's technical
 5 staff, safety features in the well itself below the ocean floor
 6 such that if this unit established on the ocean floor were
 7 carried away by any cataclysm, natural or man-made, the well
 8 again would be shut in automatically beneath the ocean floor,
 9 so that it could not continue to produce -- oil could not come
 10 out into the ocean nor could seawater, on the contrary, penetrate
 11 the oil well.

12 GOV. ANDERSON: Where does it show here that this
 13 well will seal itself on the ocean floor?

14 MR. HORTIG: It is not on the diagram, but this is
 15 why I am reporting it to you, and also it is reported in con-
 16 nection with the standard items on page 27 -- that the produc-
 17 tion well head will be and it is controlled by fail-safe valves,
 18 which operate automatically in the event of any pressure leakage
 19 or which, alternatively, can be operated by remote control from
 20 onshore. The fail-safe swabbing valves and annulus valve are
 21 not controlled by pressure from the control line. These valves
 22 are normally closed and are operated by individual controls, and
 23 then only when working on the well from a floating vessel.

24 Additionally, as reported, the design has also been
 25 reviewed independently by a professional engineer as to wave
 26 and current loading; and possible seismic disturbances, and

1 reported to be of adequate strength to meet sea conditions known
2 or anticipated in the Gaviota area.

3 Over and above all the independent design reviews,
4 we have had incorporated, as stated here, "Pursuant to sugges-
5 tions by the Commission's technical staff, Texaco has incor-
6 porated additional stress-monitoring features in this unit,"
7 in order that we can eavesdrop on its operation and know
8 actually what is going on in practice, even though it is in-
9 stalled in seventy-eight feet of water. So we are not committed
10 to such operation simply because the design indicates it should
11 be satisfactory -- we are making, in operation, actual perform-
12 ance measurements to insure that the design, the theory, and
13 the practice do coincide.

14 GOV. ANDERSON: Why do they show the safety valves
15 above here if they are down below?

16 MR. HORTIG: The annulus valves are installed in the
17 piping down below. The only features shown on this diagram as
18 safety valves are those that are in the wellhead installation
19 that projects above the ocean floor. This is the unique feature
20 which we reported on. Actually, the safety valves that are
21 installed down in the well and that would operate in the event
22 the unit you are pointing to should be carried away are also
23 installed in every tideland oil well we have that has been
24 drilled and for any operation from a platform; just in case
25 the unforeseen should happen and the platform should be carried
26 away, these wells would be shut down. This part is standard

1 practice and a Commission requirement. The unique features are
2 depicted on the diagram you have before you, on which we have
3 the wellhead installed on the ocean floor.

4 MR. ROSE: In going over this item with Mr. Hortig
5 and getting a view from him of the different systems which he
6 has mentioned (from Peru up to what we now have on the Cali-
7 fornia Coast), the Commissioners will recall they saw an
8 exhibit, a moving picture, before the last meeting of Standard
9 Oil's installation off Santa Barbara, and the comparisons
10 between that and this, I understand, according to law have to
11 be kept confidential by the Commissioners. Where concerns
12 of the Commissioners were expressed at the last meeting on
13 the height of the mast and possibility of anchors fouling in
14 one company's installation, here we have by comparison something
15 that holds very snugly to the ocean floor and, therefore, might
16 more aptly eliminate that particular danger. To compare the
17 technical problems, all the factors being equal, it appears to
18 be to the advantage of the people of California to get the
19 various companies to possibly pool their best scientific know-
20 ledge. Anything that keeps it closer to the floor, as a gener-
21 alization, it seems to me should be the safest type of installa-
22 tion so far as being fouled by anchors or any other problems
23 of tremendous stress by tidal waves and so on. Of course,
24 these are only a layman's opinions and I know the engineers
25 have gone into this. The problem here seems to be that Macy's
26 went to tell Gimbel's and the State of California is caught in

1 the middle.

2 MR. HORTIG: Mr. Chairman, if I might supplement what
3 I feel is the basic philosophy that Mr. Rose has presented here,
4 it possibly should not be considered that the State of Cali-
5 fornia is caught in the middle, in that the State of California,
6 of course, does have all of the information with respect to the
7 installations, design criteria, etcetera, of each individual
8 operator. I think it is essential that the public be assured,
9 Mr. Chairman, as you have indicated, that all of the factors
10 relating to safety of these operations have been considered,
11 have been reviewed, and have in fact been certified; and it is
12 for this reason that I have been stressing the technical feature
13 of the stress monitoring equipment.

14 MR. ROSE: Let me ask you this question: In our
15 last meeting it was established the height off the ocean
16 floor -- that's public knowledge?

17 MR. HORTIG: That's correct.

18 MR. ROSE: -- was how many feet?

19 MR. HORTIG: Approximately ninety feet.

20 MR. ROSE: Compared to seventeen.

21 MR. HORTIG: Also it was in 245 feet of water, or
22 approximately that depth, compared to 78 feet of water, so
23 actually the amount of water above the other installation,
24 even though it projected over the ocean floor the amount of
25 uncluttered ocean is less in this current installation because
26 this happens to be the depth of the ocean, over which we have

1 very little control.

2 Additionally, of course, the basic reason for the
3 difference -- and this certainly can't be a trade secret --
4 the basic reason for difference is in design for application in
5 varying depths of ocean water which are related definitely to
6 the depth to which it is economically feasible to operate with
7 divers. Consequently, the shallower the water in which the
8 well can be set, it is easier to operate with divers.

9 However, there is under exploration very definitely
10 another correction of design philosophy, which is to provide
11 more of the type of equipment we are here discussing which can
12 be located, placed, put into operation by remote control opera-
13 tions without having to send a diver into the water at all;
14 and once these techniques are perfected, then how deeply can you
15 place a unit of this type is going to be how much cable can you
16 afford to supply to remote-control this facility.

17 MR. CHAMPION: Frank, going beyond this question which
18 Mr. Rose raised, which is very interesting, is there any precedent
19 in the past where you felt that one operation was to the benefit
20 of the State, the technical knowledge was only in the hands of
21 one company? Have there been attempts by the Commission to get
22 this information more widely spread, so the State can get the
23 benefit?

24 MR. HOFFIG: Not with respect to actual equipment
25 for such an operation, Mr. Champion. In connection with the
26 type of operations we are discussing, we do not have a very

1 large backlog on which to draw, as a matter of fact, as to
2 which is more desirable even under a given set of circumstances.
3 This is something we are discovering by these operations, being
4 currently only on number three on the entire Pacific Coast and
5 number four in the entire offshore of the United States.

6 MR. ROSE: Apparently if somebody comes through with
7 a perfect discovery of putting this right on the ocean floor
8 then that will be that company's information and scientific
9 development alone; and the State of California has no way of
10 doing anything but lease the land and we do it their way, with
11 all the safeguards.

12 MR. HORTIG: I think that should have amplification,
13 Mr. Rose, in this respect: It isn't that the State is in no
14 position to do anything with these because there is complete
15 control of the location of the wells, type of equipment used,
16 and so forth under the terms of the lease issued by the Lands
17 Commission and the rules and regulations and technical cognizance
18 of the staff. If the technical staff were to find circumstances
19 such as you have outlined, of someone having developed uniquely
20 the perfect or better general solution than all operators are
21 using, we would definitely be pursuing the course suggested by
22 Mr. Champion to see that the most effective equipment were
23 utilized on all State leases. Exactly how this would be accom-
24 plished would relate to a great degree on who the operators
25 were, the depth of the water, and a host of factors which we
26 can't predict today; but we are certainly acutely aware of the

1 benefits that might derive to the State by having a more
2 efficient operation, and on all State leases if a particularly
3 effective piece of equipment is developed, then we would cer-
4 tainly seek its employment to be included in any other opera-
5 tions that were to be recommended and approved in the future.

6 I want to stress again -- I think the record should
7 show very clearly that in each of the instances that have now
8 been reported to the Lands Commission there have been literally
9 years of research. Development research preceded the installa-
10 tion on the part of the lessee at tremendous expense; there
11 have been the most adequate design personnel that it has been
12 possible to employ on the designs. Thereafter, each one of
13 the designs has been reviewed independently by the best engi-
14 neers available for consultation on operations of this type,
15 with independent concurrence as to the sufficiency and adequacy
16 of the design particularly from an operating safety standpoint;
17 and, finally, the Lands Division staff have insisted, as a
18 condition of staff approval, on the condition of these stress
19 monitoring facilities in order, as I said, to complete the
20 record that the unit in operation does exactly as it has been
21 expected to do in design; and this has been the case in each
22 installation we have.

23 MR. CHAMPION: Could we leave the subject -- or not
24 leave the subject, but if the situation should arise in which
25 we feel that there is basically one much better way of doing
26 this than any other, at that time certainly the Commission

1 ought to discuss possible ways of putting that operation in
2 general use. I don't suppose it takes any more conversation
3 this morning on the point raised.

4 MR. HORTIG: I would like to assure the Commission
5 that this would be the approach of the staff -- immediately
6 upon the availability of such a system to seek its application
7 in all future installations, wherever such application would
8 be considered as optimum and preferable to other systems
9 proposed.

10 GOV. ANDERSON: Are you reasonably sure there isn't
11 any danger of leakage or spillage under these systems they are
12 putting in? When we talk to people they ask whether when we
13 are going to have these wells all along the continental shelf
14 we are not going to have oil on top of the beaches -- this
15 thing is of concern.

16 MR. HORTIG: Well, sir, I think it can be answered
17 categorically that with the three designs that have now been
18 completed, been installed, (two have been in operation -- one
19 is in operation today and the others are not operable, not
20 because of mechanical defects but for other operating considera-
21 tions in connection with developing a particular reservoir
22 through the particular well in which the unit has been estab-
23 lished) with the number of fail-safe safeguards, which are
24 three deep in all of these installations down to the point
25 that unless the earth disintegrates the well is going to shut
26 down in the event even of the worst equipment, man-installed,

1 being carried away, that it certainly appears from all the
 2 independent reviews and all the professional engineers' certifi-
 3 cations (which have also put their reputation on the line)
 4 as to the adequacy of the unit, that everything that can be
 5 done in the present state of the art, knowledge and technology
 6 has been incorporated in these units and incorporated not once
 7 but three times -- so that it is going to take something of
 8 the order of a major cataclysm which no man can design against.
 9 What happens in a major cataclysm and what part of the world
 10 drops off is beyond our power to predict.

11 GOV. ANDERSON: Any further comments? (No response)
 12 Item (c).....

13 MR. DESMOND: Mr. Chairman, I wonder if this would
 14 be an appropriate time (Gerald Desmond of the City of Long
 15 Beach) to express our appreciation, first, to the Commission
 16 for taking up the matters out of order, but also to Frank
 17 Kortig and his staff, to the Attorney General -- Mr. Shavelson
 18 Mr. Hassler, Mr. Goldin particularly of the Attorney General's
 19 Office -- for the work done. These are supplemental items,
 20 which itself is an indication that there had to be emergency
 21 attention given. This is the result -- although approved
 22 without any additional comment -- the result of some four years
 23 of work; and I am advised that the unitization of Fault Block
 24 IV of the Wilmington Oil Field is the most complex job ever
 25 attempted in the oil industry; and the staff, Mr. Kortig and
 26 his men, have done it; this July, as shown by the results.

1 You have your legal opinions from the Attorney
2 General's Office, and we wanted to express our appreciation
3 for tremendous assistance there.

4 We have a date that has been set for a number of
5 months now and that is Thursday, August 31. Ninety-nine and
6 a half percent of the job has been done now in getting consents
7 to the agreement to include all of the essential tracts in
8 Fault Block IV, and we hope and pray we will still be able to
9 make that. I wanted, before this passed, to have this oppor-
10 tunity to express our appreciation for the tremendous work, as
11 I say under emergency circumstances, that has been given here
12 this morning. Thank you very much.

13 GOV. ANDERSON: Thank you, Jerry.

14 Item (c) is the review of approved 1961 legislation.
15 There is no action on any of this.

16 MR. HORTIG: Mr. Chairman, pages 28 to 34 were pre-
17 pared for the record for the Commissioners, as well as for the
18 staff, simply to tabulate those items of legislation considered
19 by the last session of the Legislature -- which have either
20 become law because they were special statutes or emergency
21 statutes or, in the majority of instances, will become effective
22 September 14th and which include the six items of legislation
23 originally authorized for introduction by the State Lands Com-
24 mission, all of which will become law; and the balance of the
25 report concerns itself with those statutes that can affect or
26 will apply to some degree to the operation of the State Lands

1 Commission in the future. There are no adverse or detrimental
2 modifications to legislation as a result of the statutes which
3 will become effective, as I said, on September 14th. By and
4 large, the majority of the statutory authorizations clarify or
5 supplement the authorities of the Commission with respect to
6 administrative matters.

7 GOV. ANDERSON: Any questions? (No response)

8 Item (d) is report on the status of major litigation. Mr. Hortig.

9 MR. HORTIG: There are no substantive modifications
10 in the status since the last report to the Commission at the
11 last meeting, as you will see on pages 35 and 36 where major
12 litigation is tabulated, with the exception of the pending case
13 "City of Hermosa Beach vs. State of California" listed on page
14 36, which is a pending litigation in which the City filed its
15 answer to the State's cross complaint on July 24th.

16 It is interesting in contemplation that as to the
17 City's lease with Shell and Continental Oil Companies -- which
18 produced the original revenue, the disposition of which is of
19 primary concern under this litigation -- the lessees have given
20 notice to the City that they are exercising their option to
21 withdraw from the drilling and operating contract. So the
22 probabilities are now that there will be no further revenue
23 developed, although the City is already in possession of original
24 payments by the lessees at the time of issuance of the lease --
25 the proper disposition of which must still be determined by
26 the court in this litigation. Mr. Shavelson, who is

1 particularly involved in this litigation, could report further
2 on these factors if he desires.

3 GOV. ANDERSON: Why are they withdrawing from the
4 drilling?

5 MR. HORTIG: As you will recall, Mr. Chairman, at the
6 time the lease was entered into there was in existence and
7 still is an anti-drilling ordinance in the City of Hermosa Beach
8 and the lessees retained the option to withdraw at any time
9 they decided in the future that it did not appear that the
10 anti-drilling ordinance would be revoked; and only in the case
11 of the revocation of the anti-drilling ordinance could they
12 proceed, in fact, with the operations under the lease. There
13 have been two referendums on revocation of this particular
14 drilling ordinance in history and both of them have been un-
15 successful, and the anti-drilling ordinance is still in effect,
16 and this is certainly one of the things the lessees had under
17 consideration -- as to whether to continue holding the lease
18 with the hope for future development or whether to quitclaim at
19 this time, and they have given notice to the City of their
20 intent to quitclaim.

21 GOV. ANDERSON: Under the present lease does it cost
22 them anything to continue the option?

23 MR. SHAVELSON: No. An unconditional bonus payment
24 of a half million dollars was paid in connection with the tide-
25 lands lease and the so-called "uplands" contract, has been paid
26 over to the City, and there are no continuing payments thereunder.

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GOV. ANDERSON: That was the initial payment?

MR. SHAVELSON: Right.

GOV. ANDERSON: Then why would they withdraw from their present contract when it doesn't cost them to continue it?

MR. SHAVELSON: We are only speculating, but I believe it may have been occasioned by the possibility that they did not want to be held on the lease in case the drilling ordinance were invalidated either by election or court decree, since it is quite possible they may be obligated to pay an additional nine - - what was the figure?

MR. HORTIG: In round numbers, nine million dollars.

MR. SHAVELSON: - - nine million dollars in additional bonuses if the lease were executed; and I think it is possible that under present circumstances they would not want to pay that much money. The State has filed a cross complaint alleging that the anti-drilling ordinance is in violation of State law and therefore invalid; and if it were invalidated, they perhaps feel they may be forced to go through with the lease, although the way the lease reads I think they could probably withdraw at any time at later stages as well. I think just in the interest of safety they are withdrawing now, for fear they would be held to the lease, perhaps.

MR. HORTIG: Mr. Chairman, not advocating putting anyone on the spot, but there are two representatives of Shell Oil Company with us this morning, who may or may not be able to comment with further information on this subject.

1 Mr. Karshner, the district agent, and Mr. Armbruster, the
2 district engineer, are here.

3 GOV. ANDERSON: Would you two gentlemen like to com-
4 ment on this and give any light to the Commission?

5 MR. KARSHNER: No sir.

6 GOV. ANDERSON: Any further comments?

7 MR. HORTIG: No sir.

8 GOV. ANDERSON: That completes the items "for
9 information only." I believe it also completes the calendar
10 with the exception of the confirmation of the date of our next
11 meeting. Are there any items anyone wishes to bring up or any
12 comments?

13 MR. HORTIG: Not from staff, sir.

14 GOV. ANDERSON: How about the next meeting as set
15 forth here -- September 14th, nine thirty? Does that meet
16 with your approval?

17 (Messrs. Cranston and Champion signified approval)

18 GOV. ANDERSON: We will adjourn then, setting our
19 next meeting place at Sacramento on September 14th, nine
20 thirty a.m.

21 MR. CRANSTON: So move.

22 MR. CHAMPION: Second.

23 GOV. ANDERSON: Moved and seconded -- no objection,
24 carried unanimously. Meeting adjourned.

25 ADJOURNED 10:10 a.m.

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CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Division of Administrative Procedure, hereby certify that the foregoing twenty-nine pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California, on August 28, 1961.

DATED: Sacramento, California, August 31, 1961.

Louise H. Lillico
