

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

Sacramento, California

August 29, 1963

PARTICIPANTS:

THE COMMISSION:

Hon. Hale Champion, Director of Finance, Chairman  
Hon. Glenn M. Anderson, Lieutenant Governor  
Hon. Alan Cranston, Controller

Mr. F. J. Hortig, Executive Officer  
Mr. Alan Sieroty, Executive Secretary to  
Lieutenant Governor Anderson

STATE LANDS DIVISION:

Mr. Kenneth C. Smith, Public Lands Officer

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay Shavelson, Deputy Attorney General

APPEARANCE:

Mr. Harold A. Lingle  
Deputy City Attorney, City of Long Beach

I N D E X  
(In accordance with Calendar Summary)

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

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
1 Call to order			
2 Confirmation minutes of May 23 and June 27, 1963			1
3 PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:			
(a) Amer. Smelting & Refining	22	1	1
(b) San Diego Gas & Electric	3	2	1
(c) Calif. Dept. Fish & Game	29	3	1
4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE			
(a) Boy Scouts of America	27	4	2
(b) Crown Mining Co., Inc.	21	5	2
(c) R. W. Kelsey	19	6	3
(d) Kimberly-Clark Corp.	31	8	3
(e) Robert E. Lunsford	4	9	4
(f) James A. Noble	14	10	4
	15	12	4
(g) Pacific Gas & Electric	32	14	4
(h) Pacific Tel. & Tel.	26	15	4
(i) Texaco Inc.	28	16	4
(j) Standard Oil Co. of Calif. Western Operations, Inc.	30	18	5
(k) Cathern Tussey	13	19	6
5 CITY OF LONG BEACH			
(a) Roads & Streets, Pico Ave. Gas Main	7	20	6
(b) Back Areas Piers A-D, etc.	9	22	7

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  
28

I N D E X  
(In accordance with Calendar Summary)  
continued

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
5 CITY OF LONG BEACH continued			
(c) Improvement Appian Way	11	24	7
(d) Sea Scout Base, Long Beach Marina	12	26	7 -deferred
6 Finding, Harbor Commissions Los Angeles re waterflooding program with Atlantic Oil	20	28	off. calendar
7 FEDERAL LAND TRANSACTIONS			
(a) Selection 370 acres and sale to City of San Diego	25	31	16
(b) Selection on behalf James E. Cram 80 ac. San Bern. County	24	34	16
(c) Rejection application of Delbert J. Sargent	10	36	off calendar
8 Rescission Lease P.R.C. 2256.1, Michael L. McInnis, et al	33	40	18
9 MINERAL EXTRACTION LEASES			
(a) Oil & Gas lease offer, Orange County, Parcel 16	34	41	19
(b) Lease offer for extraction sand and/or gravel:			
(1) 80 ac. school land near Brawley, S.E. Ryerson and F. Eugene Pinner	16	43	20
(2) 905.423 ac. S.F. Bay, United Sand and Gravel	17	44	off calendar
10 Modification of State's participating percentage Compensatory Royalty Agreement P.R.C. 255.1 Kirby Hill	2	45	21

continued

I N D E X  
(In accordance with Calendar Summary)  
continued

<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>
11 Gas Sales Agreement Richfield Oil and Pacific Lighting Gas Supply, PRC 308.1, 309.1, 2793.1	5	46	22
12 Settlement in Sonoma County Sup. Ct. Case 49442, Kofoids vs. State et al	23	48	24
13 Resurvey of Survey No. 88 and 89, Suisun Bay and Hastings Slough	8	50	off calendar
14 CONFIRMATION TRANSACTIONS OF EXECUTIVE OFFICER:	1		24
Humble Oil & Refining		64	
Richfield Oil Corp.		65	
Shell Oil Co.		62	
Texaco Inc.		64	
15 INFORMATIVE:			
(a) Report on legislation	6	66	25
(b) Report on litigation	35	78	26
NEXT MEETING			28
DISCUSSION RE LONG BEACH WILMINGTON AND HARBOR OIL CONTRACTS			13

\*\*\*\*\*

I N D E X

(In accordance with item numbers)

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

<u>ITEM ON</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>	:	<u>ITEM ON</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>
1	62	24		23	48	24
2	45	21		24	34	16
3	2	1		25	31	16
4	9	4		26	15	4
5	46	22		27	4	2
6	66	25		28	16	4
7	20	6		29	3	1
8	50	off calendar		30	18	5
9	22	7		31	8	3
10	36	off calendar		32	14	4
11	24	7		33	40	18
12	26	7		34	41	19
13	19	6		35	78	26
14	10	4				
15	12	4			NEXT MEETING	28
16	43	20			DISCUSSION RE	
17	44	off calendar			LONG BEACH UNIT	
18	not on calendar				WILMINGTON AND	
19					HARBOR OIL FIELD	
20					CONTRACTS	13
21	6	3				
22	28	off calendar				
23	5	2				
24	1	1				

1 MR. CHAMPION: We will call the meeting to order.  
2 I am sorry about the delay, but we took up the last item on  
3 the calendar first. We are trying to get a date for September.  
4 I hope by the end of the meeting we will have one.

5 Next order of business is confirmation of minutes of  
6 meetings of May 23, 1963 and June 27, 1963.

7 MR. CRANSTON: I move approval.

8 GOV. ANDERSON: Second.

9 MR. CHAMPION: They will stand approved. Item 3 --  
10 Permits, easements, and rights-of-way to be granted to public  
11 and other agencies at no fee:

12 Applicant (a) American Smelting and Refining Company --  
13 Permit to dredge approximately 15,000 cubic yards of material  
14 from tide and submerged lands, Carquinez Strait in Contra  
15 Costa County, to provide sufficient depth of water to accommo-  
16 date ocean-going vessels.

17 (b) San Diego Gas and Electric Company -- Permit to  
18 extract additional 63,000 cubic yards of material from tide  
19 and submerged lands, San Diego Bay, San Diego County -- for  
20 construction of a dike; material to be deposited on adjacent  
21 tide and submerged lands within the grant to the City of Chula  
22 Vista;

23 (c) California State Department of Fish and Game --  
24 49-year life-of-structure permit, 31 acres submerged lands of  
25 Sacramento River, Glenn County, for construction and use of an  
26 angling access area.

1 MK. CRANSTON: I move approval.

2 GOV. ANDERSON: Second.

3 MR. CHAMPION: They will stand approved.

4 Item 4 -- Permits, easements, leases, and rights-of-  
5 way issued pursuant to statutes and established rental poli-  
6 cies of the Commission:

7 (a) Boy Scouts of America -- Five-year minor struc-  
8 ture permit, 0.7 acre sovereign land of Sacramento River, Yolo  
9 County, for floating pier and walkway, total rental \$25;

10 (b) Crown Mining Co., Inc. -- Termination of mineral  
11 extraction lease P.R.C. 2495.2, 160 acres school lands,  
12 Imperial County, effective August 29, 1963; no market for  
13 grade of ore being produced,

14 MR. HORTIG: Mr. Chairman, if I may amplify at that  
15 point, this lease is delinquent in one year's rental payment  
16 in the amount of \$160 up to the time of the proposed accept-  
17 ance of this termination. However, it has been determined  
18 that one of the reasons for offering of the quitclaim of the  
19 lease by the lessee is the fact that he has suffered financial  
20 reverses, he has been ill, he has been in the hospital, and  
21 it is felt that the \$160 would not be recoverable. In order  
22 to get it off the books of the Commission, if the lease is so  
23 terminated an application would be made to the Board of Con-  
24 trol for rescission of that charge.

25 MR. SHAVELSON: Excuse me. As I understand this,  
26 his request to make it effective as of November 17th was denied

1 and you are making it effective as of August 29th; so, there-  
2 fore, the amount will remain outstanding on the books. Is  
3 that correct?

4 MR. HORTIG: Yes.

5 MR. CHAMPION: Subject to appeal to the Board of  
6 Control, and this just states the basis for that.

7 MR. HORTIG: Yes.

8 MR. CHAMPION: (c) R. W. Kelsey -- Five-year agri-  
9 cultural lease, 320 acres school land Inyo County, annual  
10 rental \$112; land marginal for agricultural purposes, applicant  
11 owns and leases other lands in the immediate vicinity.

12 (d) Kimberly-Clark Corporation -- 15-year easement,  
13 2.04 acres sovereign land, Sacramento River, Shasta County,  
14 for an outfall line to carry waste products from paper plant;  
15 annual rental \$150.

16 GOV. ANDERSON: On something like this, all checking  
17 is done pertaining to any pollution?

18 MR. HORTIG: Yes, sir. Both the District Water  
19 Pollution Control Board and the Department of Fish and Game  
20 have reviewed this particular proposed operation and have  
21 approved its conduct. By issuance of this easement, the Lands  
22 Commission is merely providing the site for the location of  
23 the pipe which will be operated in accordance with the other  
24 approvals.

25 MR. CHAMPION: This is all worked out before they  
26 ever locate that pipe?



1 MR. HORTIG: Right.

2 MR. CHAMPION: (e) Robert E. Lunsford -- one-year  
3 grazing lease, 640 acres school land Colusa County, annual  
4 rental \$32; (f) James A. Noble -- Two two-year prospecting  
5 permits for minerals other than oil and gas, San Bernardino  
6 County, at standard royalty rates: (1) 79.22 acres, (2)  
7 72.77 acres;

8 (g) Pacific Gas and Electric Company -- 49-year  
9 gas-line easement, 0.053 acre sovereign lands, Sacramento  
10 River, Colusa and Sutter counties; total rental \$220.01;

11 (h) Pacific Telephone and Telegraph Company --  
12 Termination of Lease P.R.C. 253.2, ten acres school lands  
13 Inyo County, effective June 26, 1963, and authorization for  
14 Executive Officer to accept a quitclaim deed. Company has  
15 no further use for property.

16 (i) Texaco Inc. -- Deferment of drilling require-  
17 ments, Oil & Gas Lease P.R.C. 2206.1, Santa Barbara County,  
18 through April 2, 1964. Time needed to review and analyze  
19 results of geophysical survey being conducted currently.

20 GOV. ANDERSON: How many deferments have there been  
21 on this particular lease?

22 MR. HORTIG: There have been, I believe, four pre-  
23 vious deferments, Governor, although the lessee has fully  
24 complied with the drilling requirements and, indeed, as has  
25 been the case with this entire series of leases issued in  
26 1958, all lessees proceeded drilling with a more diligent

1 schedule than was required by their respective leases.

2       There are now additional data that must be evaluated  
3 as to economical feasibility for any additional locations and  
4 the critical necessity for evaluating these data is reflected  
5 by (as well as support for the fact that there is diligence  
6 in operation under this lease which is incumbent on the lessee  
7 because of the lease terms which require it) the fact that in  
8 this instance their prior cash bonus payment of \$23,711,000  
9 and additional expense of \$8,000,000 that have been involved  
10 in the development, with a total cash investment of over  
11 \$31,000,000, is certainly the impetus to plan the most effect-  
12 ive development plan that can be developed if they are to  
13 recoup their investment.

14       Therefore, it is felt equitable to grant this  
15 extension at this time, despite prior extensions, for review  
16 of this data in order to engineer the best future development  
17 program.

18       Incidentally, the lease is also paying royalty  
19 currently on eight producing wells.

20       MR. CHAMPION: Are there any further questions?

21       GOV. ANDERSON: No.

22       MR. CHAMPION: (j) Standard Oil Company of Cali-  
23 fornia, Western Operations, Inc. -- Deferral of drilling  
24 requirements, Oil & Gas Lease P.R.C. 2199.1, Santa Barbara  
25 County, through April 4, 1964. Time needed to complete  
26 reservoir evaluation program.

1 MR. HORTIG: The situations here, Governor Anderson,  
2 are analogous -- although there were only two prior deferments  
3 in connection with this lease. Again, cash bonus payment was  
4 \$12,000,000 for this lease and there has been an additional  
5 investment of over \$7,420,000, total investment of \$20,000,000  
6 to date.

7 Standard Oil Company of California have authorized  
8 the retention of a drilling barge and contracting of a drill-  
9 ing barge, and additional development of this general area  
10 as soon as such barge can be available, and will contemplate  
11 using the barge first on this area for drilling additional  
12 wells.

13 Similarly, there are currently operating four wells  
14 on the lease and total royalties during the life of the lease  
15 have been paid in excess of a million dollars and continue to  
16 be paid on a current basis.

17 MR. CHAMPION: (k) Cathern Tussey -- Amendment of  
18 Lease P.R.C. 2363.1, San Joaquin County, to show name of Cathern  
19 Tussey as survivor to R. A. Tussey.

20 MR. GRANSTON: I move them.

21 GOV. ANDERSON: Second the motion.

22 MR. CHAMPION: They will stand approved.

23 Item 5 -- City of Long Beach approvals required  
24 pursuant to Chapter 29, 1956, First Extraordinary Session:

25 (a) Roads and Streets, Pico Avenue Gas Main, Second  
26 Phase -- Estimated subproject expenditures from August 29, 1963

7  
1 to termination of \$161,000, with \$135,240 (84%) estimated as  
2 subsidence costs;

3 (b) Back Areas, Piers A-D, Pico Avenue Water Main,  
4 El Embarcadero to Seaside Boulevard, second phase -- Estimated  
5 subproject expenditures from August 29, 1963 to termination  
6 of \$12,200, with \$7,930 (65%) estimated as subsidence costs;

7 (c) Improvement of Appian Way (Traffic Study) --  
8 Expenditure of not more than \$4,691 nor more than 58.64% of  
9 actual cost of Appian Way Traffic Survey, whichever is the  
10 lesser, from the City's share of tideland oil revenues.

11 (d) Construction of Sea Scout Base at Long Beach  
12 Marina -- Expenditure subsequent to August 29, 1963, of not  
13 more than \$164,000 from the City's share of tideland oil  
14 revenues. Is this based on a previous opinion or previous  
15 action of the Commission, this particular item?

16 MR. HORTIG: The construction of the Sea Scout  
17 Base? No, sir. This is pursuant to a current application by  
18 the City of Long Beach and in conformance with opinion of the  
19 Office of the Attorney General that this expenditure can be  
20 authorized subject to conditions which are in the recommenda-  
21 tion with respect to, particularly, the necessity that prior  
22 to beginning of construction a lease between the City and Sea  
23 Scouts for the operation of the building be submitted to the  
24 Commission for approval -- said lease to qualify and to re-  
25 strict the operation of the building for trust uses and pur-  
26 poses; that the work conform in essential details to the

2  
3  
4  
5  
6  
7  
8  
9

plans and background material heretofore submitted to the Commission, based on the requirements as specified by the Office of the Attorney General -- that the lease not be restrictive and unique to the Sea Scouts, that the area be available for the training in seamanship and related skills which the facility would be available for for all young people and without respect to actual membership in the Sea Scouts.

10  
11

This has been indicated by the administrators of the Sea Scout group, to whom the property would be leased in the first instance, as being a condition acceptable to them.

12  
13  
14  
15  
16  
17  
18  
19  
20

MR. SIEROTY: Mr. Chairman, I asked Mr. Hortig on this item two questions, and they were whether there was a policy of nondiscrimination by the Sea Scouts and whether there were memberships open in the Sea Scouts at the present time. In attempting to get an answer to these questions, he found that the administrators are not currently available, but I see Mr. Lingle here and I note in Mr. Lingle's letter perhaps the answer to the questions and he may want to expand upon it. His letter of May 17th states:

21  
22  
23  
24

"We have inquired of the Sea Scouts relative to their requirements for admission and there is none other than age. Thus, any boy under the age of eighteen is eligible for membership in the Sea Scouts."

25

I wonder, Mr. Lingle, if you want to amplify on that?

26

MR. LINGLE: Well, no. For the record, I am Harold

1 A. Lingle, Deputy City Attorney of the City of Long Beach.  
2 I had been asked the question and I asked the Sea Scouts and  
3 determined their policy is that any boy who wants to become  
4 a Sea Scout may become a Sea Scout.

5 Similarly, I have had discussions with the Office  
6 of the Attorney General as to the restrictions that would be  
7 placed in the lease, which are as reported here, and I per-  
8 sonally asked the Sea Scouts -- told them that if they wanted  
9 the building, these obviously were going to be restrictions  
10 that were going to have to be in the lease -- and I was told  
11 that was very satisfactory with them.

12 MR. SIEROTY: Do you know whether there are member-  
13 ships currently available in the Sea Scouts, what their  
14 condition is as to membership?

15 MR. LINGLE: No, I don't. I sure don't have any  
16 idea that they are keeping anybody out of the Sea Scouts. I  
17 have no fear but what their membership is open, but I do not  
18 know if there are any memberships available.

19 MR. SIEROTY: Let me clarify, Mr. Chairman, I have  
20 no information either that the Sea Scouts in any way discrim-  
21 inate. I am just asking this as a matter of information.

22 MR. LINGLE: I suppose I could find out. I might  
23 find out before this meeting adjourns. I hadn't thought  
24 about asking, hadn't been asked to find out, but think I know  
25 where to find out.

26 MR. HORTIG: I might point out to Mr. Lingle if it

1 is either the principal administrator, for lack of better  
2 title, of the group who would be involved, or his assistant,  
3 the principal as of yesterday was in Canada and his assistant  
4 is away, so if these were to be the source \*\*\*\*\*

5 MR. LINGLE: Mr. Harold Arnold, is that the  
6 administrator?

7 MR. HORTIG: Right.

8 MR. LINGLE: Then you are ahead of me.

9 MR. CHAMPION: I'd like to ask Mr. Shavelson a  
10 question on this, in connection with the trust provisions.  
11 If we approve the lease, aren't we getting ahead of ourselves  
12 in approving this thing in principle and thereby committing  
13 ourselves to it, or do you feel this is only a technical  
14 thing that we can form in some narrow way? Is your reserva-  
15 tion here that this has got to be very carefully done or it  
16 doesn't come within the trust conditions?

17 MR. SHAVELSON: I would say that the Commission  
18 should only approve this if it believes as a matter of  
19 principle that this project should be carried out, that that  
20 would be a final decision as to that, and that the only thing  
21 left for review would be the specific details of the lease.  
22 Now, one of the things - - we have a case, one of the  
23 "People versus Long Beach" cases, which involved the Long  
24 Beach Armed Forces Y.M.C.A. and, frankly, we want to make  
25 this as closely as possible to that. The Supreme Court  
26 upheld the validity of that transaction and I would say

1 that the only thing remaining after Commission action would  
2 be, mainly, our office's appraisal as to the legality of the  
3 specific terms of the lease -- which we could not pass on  
4 because they are not yet formulated.

5 MR. CHAMPION: This is a matter of policy. I have  
6 some real questions. I will confess that prior to this meet-  
7 ing I haven't given this the kind of attention I would like  
8 to give it. Is there any harm done if this goes over a  
9 month?

10 MR. LINGLE: Obviously, I'd like to get it -- I'd  
11 like to have your approval in principle; but, in candor, I  
12 don't think there would be any harm if it would go over a  
13 month so you can study it.

14 MR. CHAMPION: There are some other questions that  
15 have to be answered. It is suggested that we approve it in  
16 principle only and I must confess my objection is to principle.  
17 I'd like it to go over.

18 MR. LINGLE: May I say there is no conflict with  
19 what the Attorney General wants. There is no problem there;  
20 and I assure you, as far as the Sea Scouts are concerned, we  
21 are going to build the building.

22 MR. SIEROTY: Mr. Chairman, may I point out that  
23 this Sea Scouts base not only serves Long Beach, but Sea  
24 Scouts from all over California use it.

25 MR. LINGLE: That's right. We have long had Sea  
26 Scouts headquarters there, and not only Southern California



1 but boats that the Sea Scouts put in there from up and down  
2 the coast. They aren't just Long Beach boats -- I want to  
3 emphasize that. There are Sea Scouts organizations in many  
4 other cities in northern California that would use the facil-  
5 ity. We are leasing to Sea Scouts in our Harbor and we would  
6 like to get them in a better building.

7 MR. CHAMPION: In whose buildings were they in the  
8 past?

9 MR. LINGLE: Their buildings in the past were sheds  
10 and didn't take any financing. They were wooden sheds that  
11 were surplus and they are also in an area in the harbor that  
12 we can use for more proper and profitable ventures in the  
13 harbor.

14 MR. CHAMPION: I am hoping you are not saying for the  
15 City of Long Beach this is not a proper trust purpose, because  
16 that is my problem. You say "more proper purpose." Does this  
17 mean it is not proper for trust purposes?

18 MR. LINGLE: Not a bit. I hope I recognize in  
19 your smile that you are needling me.

20 GOV. ANDERSON: You want that put over?

21 MR. CHAMPION: Yes. That will be the order -- that  
22 this go back for further study.

23 GOV. ANDERSON: Then I'll move items (a) through  
24 (c) of 5.

25 MR. CRANSTON: Second.

26 MR. CHAMPION: Unanimously approved.

1 MR. CRANSTON: I'd like to ask the status of the  
2 Long Beach Wilmington Oil matter.

3 MR. LINGLE: Since the last meeting here, we have  
4 received a copy of the contract prepared by the Attorney  
5 General's Office for review. It has been submitted to the  
6 Oil & Gas Committee of our City Council. The City Manager's  
7 staff has prepared and delivered to the Oil Committee of the  
8 City Council three documents, and I want to leave these  
9 copies with you, that might be interesting.

10 The one is an analysis of the difference between  
11 our proposal and the principles that you gentlemen adopted  
12 in June; the second -- the Attorney General's draft of the  
13 contract had some features which were slightly different  
14 from your proposal, and we have analyzed those; and a third  
15 document relates to our estimate of what the bonus would  
16 cost.

17 These have been given to our Oil Committee at the  
18 same time that Oil Committee has been working on the L.B.O.D.  
19 contract, but our staff has analyzed these differences and  
20 we have submitted them to the Council, and that is the  
21 status.

22 Our analysis was after we got the contracts and  
23 these were submitted to the Committee last Tuesday, which  
24 was their meeting day, and the Committee indicated they in-  
25 tended, soon after they had time to digest these things, to  
26 have recommendations to the City Council.

1 On our L.B.O.D. parcel -- this may be a misnomer,  
 2 but anyway the area presently is being operated by L.B.O.D.  
 3 we hope to have a contract approved, not just in principle  
 4 but the final contract, by our Harbor Board at its meeting  
 5 today. I didn't get a chance to call them this morning. If  
 6 they have not met on it today, they hoped to meet Tuesday  
 7 and then submit it shortly.

8 MR. CHAMPION: Is that the final action required  
 9 for the Harbor Board to act, and then it is submitted to us  
 10 before any other action in Long Beach?

11 MR. LINGLE: It should also be acted on by the  
 12 City Council. We hope to have it to you next week.

13 MR. CRANSTON: We know you can't do it with any  
 14 certainty, but can you give any time estimate on the Long  
 15 Beach matter?

16 MR. LINGLE: No sir, I can't.

17 MR. HORTIG: Mr. Chairman, I think I should call  
 18 on the Deputy Attorney General to explain with respect to the  
 19 posture of the L.B.O.D. replacement. So far as the State  
 20 Lands Division and the Attorney General's Office are con-  
 21 cerned, the documents that may be approved by the Long Beach  
 22 Harbor Commission today and by the City Council next Tuesday,  
 23 according to the schedule as just outlined by Mr. Lingle, do  
 24 not include language in which there is final agreement between  
 25 the respective staffs as to some very essential features.  
 26 This could be a vehicle for discussion and presentation to

1 the Commission at the September meeting, as was suggested, but  
2 we will almost certainly then have suggestions for modifica-  
3 tions without which the staff would not recommend that the  
4 Lands Commission approve this documentation.

5 MR. CHAMPION: Didn't we really assume in our pre-  
6 vious discussions that we had to have some action by the end  
7 of September -- October at the latest?

8 MR. LINGLE: Yes.

9 MR. HORTIG: This, of course, is the magic in  
10 attempting to schedule a September meeting at which the type  
11 of documentation would reasonably result in approval being  
12 given; bids could be called for in October, received in  
13 November, lease awarded in December. If there should be a  
14 new lessee, the new lessee has to have some time for indoc-  
15 trination, in order to have a smooth transition.

16 MR. CHAMPION: Couldn't we plan, regardless of  
17 whether you are completely ready, that the issues involved  
18 be laid before the Commission at the meeting, so we can have  
19 a chance to discuss them and then, as soon thereafter as we  
20 can get to some agreement or understanding, we can call a  
21 special meeting to finally dispose of the thing? I think we  
22 should plan a discussion of the issues at stake at the meet-  
23 ing early in September.

24 MR. HORTIG: This would be the staff recommendation.  
25 I did want to bring to the attention of the Commission, so  
26 that there would be no misunderstanding, that there was not

1 now a document in existence that could be brought to the  
2 Commission for approval without the necessity of discussion.

3 MR. CHAMPION: If there is no such document at that  
4 time, what we will have is comments from the staff as to  
5 the status.

6 MR. SHAVELSON: It will be from Long Beach.

7 MR. CHAMPION: So there will be certain documentation.  
8 Is there anything further on this matter? (No response)  
9 Thank you.

10 Item 7 - Federal Land Transactions: (a) Selection  
11 on behalf of the City of San Diego of 370 acres vacant  
12 Federal lands in San Diego County and sale to City of San  
13 Diego at the appraised price of \$15,800; (b) Selection on  
14 behalf of James E. Cram of 80 acres of vacant Federal land in  
15 San Bernardino County and issuance of a patent in favor of  
16 James E. Cram for said land upon surrender of scrip certifi-  
17 cates, which are to constitute the full purchase price.

18 What kind of trading stamps are involved?

19 MR. HORTIG: This, Mr. Chairman, could well have  
20 been the forerunner of this trading stamp program. I never  
21 thought of the analogy before you mentioned it. Concurrently  
22 with the existence in latter years of the constitutional  
23 office of Surveyor General, which was abolished in 1941, the  
24 Surveyor General had the authority to sell land scrip, which  
25 he did from time to time -- which resulted in a deposit to  
26 State funds of "X" dollars per acre offered by whoever desired

1 to purchase the land scrip, in return for which payment the  
2 purchasers were given a certificate to indicate that upon  
3 surrender of a certificate they were entitled to the specified  
4 number of acres of land on the particular scrip.

5 In this instance of a purchase of land scrip in  
6 1922, at an average price of approximately \$7.50 an acre,  
7 one Mr. James E. Cram purchased eighty acres with this scrip,  
8 which he has now offered to the State of California for ac-  
9 quisition of eighty acres of vacant Federal land in San  
10 Bernardino County which the Federal Government has transferred  
11 to the State of California. The Office of the Attorney Gen-  
12 eral, in reviewing his legal rights, has reported by opinion  
13 (copy of which is attached to your agenda) that this scrip  
14 not only may but must be accepted in full payment for the  
15 eighty acres of land desired to be purchased.

16 MR. CHAMPION: Does this kind of scrip specify the  
17 particular land?

18 MR. HORTIG: No sir, it specified public lands of  
19 the State of California.

20 MR. CHAMPION: In other words, if somebody had  
21 some more scrip of this kind ...

22 MR. HORTIG: And they do.

23 MR. CHAMPION: ... and they do, they are then free  
24 to buy school lands at substantially less than ...

25 MR. HORTIG: Not school lands -- vacant Federal  
26 lands that can be acquired from the Federal Government by

1 the State in satisfaction of losses to the prior school land  
2 grant. These things carry the involved title of Indemnity  
3 Certificates of Location Scrip and vacant Federal land can be  
4 obtained on this basis upon surrender of this scrip.

5 There is this feature: Inasmuch as the last sale  
6 of such scrip was in 1928 and the scrip may only be surrendered  
7 for land by the original purchaser -- it is not assignable, it  
8 cannot be inherited; the estate can surrender the scrip for  
9 restitution of the original cash price but not for land --  
10 the amount of effective outstanding scrip that may be sur-  
11 rendered is necessarily limited. As a matter of fact, it is  
12 some percentage that we have no estimate of, of \$6,000 worth  
13 of scrip; that is, this was the cash purchase price, good for  
14 approximately seven hundred acres of land. So it is not a  
15 major item.

16 MR. CHAMPION: It is some percentage of that?

17 MR. HORTIG: It must be less, because unfortunately  
18 purchasers who purchased prior to 1928 probably aren't all  
19 with us any longer.

20 MR. CHAMPION: What is the pleasure of the Commission  
21 on this?

22 GOV. ANDERSON: One more.

23 MR. CHAMPION: It is crossed out on mine.

24 GOV. ANDERSON: Is that out? Move approval.

25 MR. CRANSTON: Second.

26 MR. CHAMPION: Stands approved. Item 8 -- Rescission

1 of Lease P.R.C. 2256.1, covering 0.2 acre submerged lands of  
2 Suisun Slough, Solano County; authorization for refund of  
3 rentals paid by Michael L. McInnis, et al., in the amount of  
4 \$600, together with 6% interest; authorization for presenta-  
5 tion of claim to State Board of Control; release of lessees  
6 from bond obligation. No facts necessary to substantiate  
7 State's claim of ownership.

8 MR. HORTIG: This was a case where the Lands Divi-  
9 sion was overenthusiastic. In field inspection, the area was  
10 underwater and connected by water channel to Suisun Bay,  
11 therefore it was assumed the property belonged to the State  
12 of California; but subsequent historical research and specific  
13 surveys by the State Lands Division survey crew have shown  
14 that the area would not be underwater but for an artificial  
15 dredger cut joining it to the Bay area.

16 Therefore, inasmuch as the lessee did not get any-  
17 thing but paid rental to the State, in equity they should be  
18 entitled to cancellation of the lease, restitution of their  
19 bond, and refund of the rentals that they previously paid to  
20 the State.

21 GOV. ANDERSON: I move it.

22 MR. CRANSTON: Second.

23 MR. CHAMPION: Stands approved.

24 MR. HORTIG: If the Board of Control concurs,

25 MR. CHAMPION: Mineral Extraction Leases -- (a)

26 Authorization for oil and gas lease offer, Orange County,



1 Parcel 16. (b) Authorization for lease offers for extraction  
2 of sand and/or gravel. Do you want to take separate action  
3 on that?

4 MR. HORTIG: It would be preferable.

5 MR. CHAMPION: What is the Commission's pleasure on  
6 Item 9(a)?

7 MR. CRANSTON: What is the situation?

8 MR. HORTIG: As shown on the map following page 42  
9 of your calendar, Mr. Cranston, this is the next parcel of  
10 land which the staff recommends be offered -- advertised and  
11 offered for oil and gas bid in accordance with the sequential  
12 leasing program of the Commission.

13 MR. CRANSTON: Move approval.

14 GOV. ANDERSON: Second.

15 MR. CHAMPION: Stands approved.

16 (b) Eighty acres State school land near Brawley,  
17 Imperial County, at royalty of 10¢ per cubic yard, pursuant  
18 to application of S. E. Ryerson and F. Eugene Pinner, joint  
19 venturers.

20 MR. HORTIG: I might point out, Mr. Chairman, that  
21 should read at a royalty of not less than ten cents per  
22 cubic yard. Any lease would be issued subsequent to com-  
23 petitive bidding and the minimum bid would be ten cents; it  
24 is not a fixed ten cents.

25 GOV. ANDERSON: I move it.

26 MR. CRANSTON: Second.

1 MR. CHAMPION: It will stand approved with that  
2 change.

3 MR. HORTIG: Actually, that is the staff recommenda-  
4 tion. It is summarized too narrowly on this summary.

5 MR. CHAMPION: Item 10 -- Authorization for Executive  
6 Officer to approve modification of State's participating per-  
7 centage under Compensatory Royalty Agreement P.R.C. 255.1,  
8 Kirby Hill, Solano County, with Standard Oil Company of Cali-  
9 fornia, Western Operations, Inc., to 1.90% for period July 1  
10 through September 30, 1962; to 1.34% for period October 1  
11 through October 31, 1962; to 1.93% for period November 1, 1962  
12 through February 28, 1963; and to 1.95% as of March 1, 1963.

13 MR. HORTIG: More simply, this is a report by your  
14 staff for the information of the Commission -- that the State  
15 does participate in gas operations in the Kirby Hill gas  
16 field in Solano County by reason of Nurse Slough and Montezuma  
17 Slough, navigable sloughs, flowing through the field -- which  
18 are drained by operations in Kirby Hill gas field. We have  
19 had for many years, since the effective development of the  
20 Kirby Hill gas field, a percentage sharing participation  
21 agreement with Standard Oil Company of California, under which  
22 royalty is paid for the calculated amounts of gas which are  
23 drained from the State lands.

24 The method of calculation depends upon which wells  
25 are in operation, which determines which lands are being  
26 drained in fact, and this item is to report the variation in

1 those percentages. Happily, in March 1963 we are up to one  
2 of our higher percentage participations -- until the next  
3 revision.

4 GOV. ANDERSON: I move it.

5 MR. CRANSTON: Second.

6 MR. CHAMPION: Stands approved. Item 11 -- Authori-  
7 zation for Executive Officer to approve gas sales agreement  
8 dated June 11, 1962 between Richfield Oil Corporation and  
9 Pacific Lighting Gas Supply Company, providing for sale of  
10 State's royalty share of dry gas produced from Oil and Gas  
11 Leases P.R.C. 308.1, P.R.C. 309.1, and P.R.C. 2793.1, Santa  
12 Barbara County.

13 MR. HORTIG: All Lands Commission oil and gas leases  
14 provide for the sale of the products as developed in terms of  
15 oil and gas by the lessee at, effectively, the market price  
16 as determined by the State Lands Commission, unless otherwise  
17 approved in writing as a result of a particular sales con-  
18 tract. The original proposal with respect to this sales con-  
19 tract for gas, as it was submitted, represented a deviation  
20 from what the staff felt was the reasonable market value for  
21 the gas on the part of one of the co-lessees in the particu-  
22 lar leases in this instance, Richfield Oil Corporation.

23 It is, therefore, recommended now that the Commis-  
24 sion approve such gas sales contract only at the price, the  
25 reasonable market value for gas being received by the other  
26 co-lessees in the same lease, as being indicative of the

1 reasonable market value of gas. On that condition, transfer  
2 of the sales contract would be recommended.

3 GOV. ANDERSON: What was the difference in the rate?

4 MR. HORTIG: Between twenty-eight and thirty-three  
5 cents per thousand cubic feet of gas,

6 GOV. ANDERSON: In other words, the average of what  
7 the others are receiving.

8 MR. HORTIG: The market value at a selected period  
9 of time for comparison, when our one lessee felt that because  
10 of the particular marketing conditions under which they had  
11 contracted to deliver their share of the gas for their opera-  
12 tion, twenty-eight cents was an equitable and reasonable price.  
13 Nevertheless, the other co-lessees who share in the production  
14 were receiving 33.02 cents. So it is the suggestion of the  
15 staff that the State's royalty should be calculated from the  
16 uniform value of the gas on the lease and should be the high-  
17 est market price received.

18 GOV. ANDERSON: And this was set at the thirty-  
19 three-cent price?

20 MR. HORTIG: Pegged to the others.

21 GOV. ANDERSON: I move it.

22 MR. CRANSTON: Second.

23 MR. CHAMPION: Stands approved. What this does, it  
24 puts us in the position of sharing in the extra benefit that  
25 domestic producers get by virtue of having their price fixed  
26 by the Public Utilities Commission.

1 MR. HORTIG: Yes, this is a direct result.

2 MR. CHAMPION: Item 12 -- Authorization for Execu-  
3 tive Officer to inform Attorney General's office that proposed  
4 offer of settlement providing for payment of \$1,000 for con-  
5 sideration of quieting title to disputed area (certain tide  
6 and submerged lands along left bank of Petaluma Creek next to  
7 Black Point Bridge in Sonoma County) made by Plaintiff in the  
8 matter of Donald M. Kofoid and Mary K. Kofoid vs. State of  
9 California, et al., Sonoma County Superior Court Case No.  
10 49442, is acceptable; and to take necessary steps to effect  
11 settlement of the litigation. Plaintiff expended considerable  
12 money in reliance upon a 1951 boundary survey which did not  
13 correspond with true boundary as depicted by 1960 survey.

14 MR. HORTIG: Would you wish a simplified re-statement  
15 of the problem, Mr. Chairman?

16 MR. CHAMPION: I don't think it is necessary.

17 MR. CRANSTON: Move approval.

18 GOV. ANDERSON: Second.

19 MR. CHAMPION: It will stand approved. Item 14 --  
20 Confirmation of transactions consummated by the Executive  
21 Officer pursuant to authority confirmed by the Commission at  
22 its meeting on October 5, 1959.

23 MR. HORTIG: Which consisted of extensions of  
24 periods for geological and geophysical exploration survey  
25 permits previously authorized to be issued by resolution of  
26 the Lands Commission.

1 MR. CHAMPION: What is your pleasure?

2 MR. CRANSTON: Approve.

3 GOV. ANDERSON: Second.

4 MR. CHAMPION: It will stand approved. The only  
5 other items before us are reports on the status of legisla-  
6 tion and report on the status of major litigation. Is there  
7 anything on either one of those?

8 MR. HORTIG: Nothing new on the legislation, which  
9 is now a historical tabulation for your files. I would like  
10 to bring the attention of the Commission to the fact that of  
11 ten measures authorized to be introduced by the staff on be-  
12 half of the Commission, two were subsequently approved for  
13 withholding of further action; and as to the remaining eight  
14 they are all now chaptered bills, which we thought was a  
15 reasonably good batting average.

16 MR. CHAMPION: One of the things that we proposed  
17 that was approved was this resolution dealing with setting up  
18 some standards in the area of tidelands leases, and it is my  
19 understanding that this is going to be a major project, with  
20 interim committee study.

21 MR. HORTIG: This is correct, sir. Actually, this  
22 was a proposal from the Director of Finance and was not an  
23 authorized action by the staff from the State Lands Commission.

24 MR. CHAMPION: Excuse me. I have gotten confused.  
25 Well, I think that the Lands Commission, however, whatever  
26 the origin here, is probably going to be called upon to take

1 a position in this thing. Is the staff preparing a position  
2 or a recommended position for the Lands Commission?

3 MR. HORTIG: Staff is preparing a recommended posi-  
4 tion for the Director of Finance. We can certainly expand  
5 and at this time consider the inclusion -- expanding the  
6 operation to include the interests of the State Lands Com-  
7 mission.

8 MR. CHAMPION: Well, let me ask the other members  
9 of the Commission: Would you be interested? It seems to me  
10 this is properly in the province of the Commission, rather  
11 than the Director of Finance alone and I would prefer whatever  
12 action would be taken would be at the initiative of the Lands  
13 Commission. (No response audible to reporter)

14 Is there anything further on that?

15 MR. HORTIG: Not with respect to legislation, sir.

16 MR. CHAMPION: What on litigation?

17 MR. HORTIG: I bring to the attention of the Com-  
18 mission the fact that the second item of litigation reported  
19 on page 78, the case of People versus the City of Long Beach,  
20 relating to ultimate boundary determination of previous tide-  
21 land grants by the State to the City of Long Beach, which  
22 became a statutory responsibility of the State Lands Commis-  
23 sion and on which expedition has been sought and the Lands  
24 Division and Attorney General's Office have been laboring  
25 diligently, was finally set for pretrial for September 10th of  
26 this year; and now has had to be continued among other reasons --

1 personally, unhappily I report this -- because of the con-  
2 tinued illness of the Long Beach City Attorney. As to  
3 details, Jay Shavelson is our attorney of record on this  
4 particular litigation.

5 MR. SHAVELSON: I just wanted to emphasize for the  
6 record that, despite the tremendously heavy burden that those  
7 of us representing the Commission have had in connection with  
8 such things as the Long Beach Unit, United States versus  
9 California, we have done everything possible to expedite the  
10 Long Beach boundary determination; and we did propose a pre-  
11 trial, we proposed special facts to the counsel for the City,  
12 and we would have been ready to proceed. The delay here was  
13 due not only to the illness of the City Attorney but also the  
14 illness of Mr. Ball, special counsel.

15 I do want to emphasize that we feel that this is a  
16 matter that must be terminated as quickly as possible. It  
17 can't be delayed too long and we are doing everything we can  
18 to get it tried.

19 MR. CHAMPION: Is there anything further here in  
20 United States versus California since you filed your brief?

21 MR. SHAVELSON: No, sir. We do expect the closing  
22 brief in the case the beginning of next week and then it will  
23 be up to the Supreme Court to decide on these initial pro-  
24 cedural matters, which are going to be of tremendous import-  
25 ance as to the future of the case -- whether it is a revival  
26 of the old case or a brand new suit, as we contend.



1 MR. HORTIG: This brings to mind, Mr. Chairman, in  
2 connection with the very first litigation on page 78, U. S.  
3 versus Anchor -- State Lands, together with the Attorney  
4 General's Office, is going to be in conference almost immedi-  
5 ately with the Department of Finance with respect to the man-  
6 ner of payment of the State's share of the compromise judgment.

7 MR. CHAMPION: Well, wasn't that pretty well under-  
8 stood at the time of settlement?

9 MR. HORTIG: As to the amount of the obligation,  
10 but the mechanics of handling it and whether it will all come  
11 out of one month, or whether it will be spread.

12 MR. CHAMPION: It will come from the Tidelands Fund.

13 MR. HORTIG: Correct. It will come from Long Beach  
14 tidelands revenue.

15 MR. CHAMPION: Are there any other questions on  
16 these two items. (No response) Did that 16th date work out?

17 GOV. ANDERSON: 16th, at 10:30 in the morning will  
18 be all right.

19 MR. CRANSTON: Whereabouts -- Los Angeles?

20 GOV. ANDERSON: Los Angeles.

21 MR. CRANSTON: O. K.

22 MR. CHAMPION: The next meeting of the Commission,  
23 then, will be at ten thirty a.m. in Los Angeles on September  
24 16th -- Monday, September 16th.

25 MR. HORTIG: Mr. Chairman, may I ask then, and  
26 particularly Governor Anderson, if it should eventuate -- as

1 well it might -- that there is necessary consideration of  
2 Long Beach Oil Development contract replacement approvals at  
3 a date later than the 16th, the staff would then undertake to  
4 carry this to the remaining members of the Commission and we  
5 would operate with a quorum, but not without majority member-  
6 ship present?

7 GOV. ANDERSON: Mr. Sieroty would represent me,  
8 but without voting.

9 MR. CRANSTON: May I ask another question? If this  
10 lands policy matter is to come up at that time, I think we  
11 want some kind of an informal study before that.

12 MR. HORTIG: You will have the draft of the  
13 calendar item as we would present it to the Commission by --  
14 Monday?

15 MR. SMITH: Monday.

16 MR. HORTIG: Monday of next week.

17 MR. CHAMPION: As I understand it now, we are ready  
18 to proceed after answering the questions resolved by the  
19 Senate Committee and you have satisfactory understanding as  
20 far as that is concerned; and the question now at issue is  
21 the feeling on the part of the Resources Administrator that  
22 we should set up some sort of new priority consideration?

23 MR. HORTIG: Or give some reflection to that. This  
24 is to be the subject of discussion.

25 MR. CHAMPION: Could this be adopted as we have  
26 now proposed it, without prejudice to a further proposal of

1 the Resources Administrator?

2 MR. HORTIG: Definitely; because the policy deter-  
3 mination and the procedure would be subject to amendment at  
4 any time by the Lands Commission.

5 MR. CHAMPION: As a matter of procedure, I wanted  
6 to know. If we get into some extended discussion on this, we  
7 can still adopt that policy and amend it later.

8 MR. CRANSTON: I think we want to get into some  
9 study before that.

10 MR. HORTIG: The staff position will be to you at  
11 the beginning of the week. We are requesting this afternoon  
12 a written statement of position on behalf of the Resources  
13 Agency, of which we could get copies to you immediately upon  
14 receipt; and then, the staff are available to you individually  
15 or collectively at any time you want to have any review of  
16 the material.

17 (Discussion among members re available time to  
18 get together)

19 GOV. ANDERSON: I will be here on the 10th in the  
20 morning anyway. Could we schedule a meeting then?

21 MR. CRANSTON: For ten o'clock that morning?

22 MR. CHAMPION: Staff conference on the subject of  
23 their recommendations on lands?

24 MR. CRANSTON: Yes; and you will get your material  
25 to us before that; ten to twelve.

26 GOV. ANDERSON: Can you make it earlier than 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

MR. CRANSTON: Nine thirty to eleven thirty.

MR. CHAMPION: Is there any further business to  
come before the Commission? (No response) We stand  
adjourned.

ADJOURNED 11:15 a.m.

\*\*\*\*\*

CERTIFICATE OF REPORTER

1  
2  
3 I, LOUISE H. LILLICO, reporter for the Office of  
4 Administrative Procedure, hereby certify that the foregoing  
5 thirty-one pages contain a full, true and correct transcript  
6 of the shorthand notes taken by me in the meeting of the  
7 STATE LANDS COMMISSION at Sacramento, California, on  
8 August 29, 1963.

9 Dated: Los Angeles, California, August 20, 1963.

10  
11 Louise H. Lillico  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26