

TRANSCRIPT OF  
MEETING  
of

STATE LAND COMMISSION

LOS ANGELES, CALIFORNIA  
January 30, 1964

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

OFFICE OF ATTORNEY GENERAL:

Mr. Howard S. Goldin, Assistant Attorney General

APPEARANCES:

Mr. Orlando B. Foote, County Counsel  
County of Imperial

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

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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 Call to order			
2 Confirmation of minutes of Oct. 10 and Nov. 6, 1963			1
3 PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE			
(a) City of Los Angeles	19	1	2
(b) County of Sacramento	17	2	2
(c) State of California, Division of Highways	12	3	2
(d) Vista Sanitation District	4	4	3
4 PERMITS, EASEMENTS, LEASES RIGHTS-OF-WAY, FEE			
(a) Wm. H. & Verlier McLendon	14	5	3
(b) Pacific Gas & Electric	1	6	3
(c) Pacific Gas & Electric	7	7	3
(d) Phillips Petroleum Co.	16	8	(Withdrawn)
(e) Don C. Hibbert	3	10	4
(f) Union Oil Company of Calif.	8	12	4
5 CITY OF LONG BEACH			
(a) Subsidence costs	10	13	9
(b) Collateral agreement to Drilling and Operating Contract Long Beach Dept. Tidelands Parcel	13	16	9
6 Exchange application of Delbert J. Sargent	9	17	10

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5	7 Amendment Sec. 2100 (E) (5) rules and regulations	20	18	21
6	8 Approval natural gasoline sales agreement Humble Oil and Standard Oil Co. of Calif.	11	20	23
8	9 Mineral extraction lease to Stanley E. Ryerson and Frederick E. Pinner	15	22	28
10	10 Proposed Oil and Gas Lease, Parcel 18, Orange County	18	23	29
11	11 SERVICE AGREEMENTS:			
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13	(b) City of Crescent City	21	25	32
14	(c) Supplementary to Agreement LC-175 - Remington Rand	5	26	32
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16	Humble Oil & Refining		29	
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17 Schedule of 1964 Meetings	26	38	35
18 Approval of new pay range, Executive Officer	23	40	22

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1 MR. CHAMPION: The meeting will please come to  
2 order. We do not have any report on when Controller Cranston  
3 will be here, so we will proceed with the agenda.

4 Before we turn to the first item on the agenda,  
5 however, I want to take note of a communication from Senator  
6 Fred Farr, who is the Chairman of the Senate Permanent Fact-  
7 finding Committee on Natural Resources. He sent in a resolu-  
8 tion, and I will omit the "whereas's" -- but the resolution  
9 is that the State Lands Commission is hereby respectfully  
10 requested to not approve any contracts for the production of  
11 oil, gas and other hydrocarbons from tide and submerged lands  
12 deeded in trust by the State to the City of Long Beach until  
13 the Senate has considered the subject of this resolution in  
14 Extraordinary Session in 1964.

15 I don't think this requires any formal action of the  
16 Commission. There is no contract before us now or prospect-  
17 ively for some time. Discussions have been going on between  
18 us and the City, but for the moment these have come to a halt  
19 pending the legislative session. The Governor hasn't said  
20 definitely that he will put this before the legislative session  
21 Monday, but it is expected he will; and, of course, we will  
22 not act while they are working on it. I don't think, however,  
23 it requires any formal action by this Commission.

24 (Mr. Cranston entered at this time)

25 MR. CHAMPION: (continuing) I just took formal notice  
26 of the resolution of the Senate Factfinding Committee on

1 Natural Resources, pointing out that we do not now have a  
 2 contract before us and there would not be anything to act on,  
 3 so it does not require any more than that recognition; and I  
 4 have, in the name of the Commission, so informed Senator Farr,  
 5 Chairman of the Committee. Do either of the members of the  
 6 Commission want to make any further statement on the subject?

7 GOV. ANDERSON: You covered it pretty well,

8 MR. CRANSTON: Yes.

9 MR. CHAMPION: All right. We will proceed, then,  
 10 to the agenda. Confirmation of minutes of meetings of  
 11 October 10th and November 6th.

12 GOV. ANDERSON: I'll move it.

13 MR. CRANSTON: Second.

14 MR. CHAMPION: Stand approved. Permits, easements,  
 15 and rights-of-way to be granted to public and other agencies  
 16 at no fee, pursuant to statute:

17 City of Los Angeles -- Life-of-structure permit,  
 18 0.1 acre tide and submerged lands in Santa Monica Bay, Los  
 19 Angeles County, to cover the extension of an existing storm  
 20 drain.

21 County of Sacramento -- Amendment of Right-of-Way  
 22 Permit P.R.C. 2634.9, crossing tide and submerged lands of  
 23 Georgiana Slough, Sacramento County, for construction and  
 24 operation of facilities to service the County Sheriff's Boat  
 25 Patrol.

26 State of California, Division of Highways --

Amendment to Agreement P.R.C. 572.9, for additional right-of-way over two acres submerged lands of the Colorado River near Needles, San Bernardino County, to provide for protection, construction, and use of State Highway Route No. VIII-SBd-58P.

Vista Sanitation District -- 49-year life-of-structure permit, 5.36 acres tide and submerged lands in Gulf of Santa Catalina, South of Carlsbad, for construction and maintenance of an ocean outfall line to service sewage treatment plant.

GOV. ANDERSON: I move them.

MR. CRANSTON: Second.

MR. CHAMPION: Any questions? (No response) Stand approved.

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

William H. McLendon and Verlin McLendon -- Sublease of P.R.C. 226.1, covering 4.50 acres tide and submerged lands of Napa River near Vallejo, Solano County, to Walter W. Wilson, for operation of a boating facility.

Pacific Gas and Electric Company -- 49-year easement across 0.115 acre sovereign land, Novato Creek, Marin County, for overhead wire-crossing; total rental \$319.97.

Pacific Gas and Electric Company -- 15-year easement-lease, 6.246 acres sovereign land, Petaluma River, Marin and Sonoma counties, for overhead wire-crossing for transmission of power for commercial purposes; annual rental \$248.25.



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MR. HORTIG: Mr. Chairman, as to item (d), Phillips Petroleum Company, we have received a letter requesting that this item be withdrawn from the agenda.

MR. CHAMPION: I will omit item (d).

Don C. Hibbert -- Two-year prospecting permit, 41.32 acres vacant State school land, San Bernardino County, for all minerals other than oil and gas, at standard royalty rates for any lease issued pursuant to the permit.

Union Oil Company of California -- Approval of location and construction of a stationary pile-supported drilling and production platform, approximately 11,000 feet from shore, within area of Oil and Gas Lease P.R.C. 3033,1, Orange County.

MR. STANSTON: Move approval.

GOV. ANDERSON: That is the one -- item (f) -- where we have the drilling with derricks on the platform?

MR. HORTIG: Yes, sir.

GOV. ANDERSON: When does that come down?

MR. HORTIG: When development is completed in terms of drilling the maximum number of wells which is found to be economically justifiable on the lease. Then the drilling derrick, which is the massive 160- to 165-foot structure on top of the platform, is removed. Nominally, these operations are conducted by a service operator, who then removes the derrick at that time and further remedial production operations are usually performed on the platform with a portable

1 mast or smaller production derrick, 60 or 70 feet shorter  
2 than the drilling derrick used for the well.

3 GOV. ANDERSON: I know you answered my question, but  
4 I'd like to get some idea of time when it is all through.  
5 We will have this platform, which sits up there 60 feet above  
6 sea level and on top of that this 160-foot derrick. When  
7 would you estimate the derrick would be off of there?

8 MR. HORTIG: A minimum time of two to three years,  
9 although it could take longer.

10 GOV. ANDERSON: In other words, we can expect to  
11 have a 200-foot thing sitting up there for a minimum of two,  
12 and possibly five years?

13 MR. HORTIG: This is correct. On the other hand,  
14 of course, it must be recognized that this particular plat-  
15 form is farther out to sea than the now existing platform in  
16 Huntington Beach, which has a similar derrick arrangement,  
17 and as such isn't as readily visible from the shore; and at  
18 two and two-tenths miles, it actually takes a reasonably  
19 clear day to distinguish the platform and derrick from a  
20 ship at sea.

21 GOV. ANDERSON: I am not objecting to this, but I  
22 wanted to point out that we are winding up here for several  
23 years with another structure that can be seen from the shore,  
24 sitting up there 200 feet high. I was wondering how much of  
25 this we are going to do and if we are thinking of keeping  
26 the beauty of our shore. I just wanted to raise this question.

1 I think it is something we ought to be aware of.

2 MR. CHAMPION: I quite agree with you. Is there a  
3 prospect that there will be more of these in the same areas,  
4 that there will be a steady planning of these platforms out  
5 there?

6 MR. HORTIG: It could be. There is, although, not  
7 at the rate of one per lease -- because as adjoining areas  
8 are leased, it sometimes becomes economically feasible and  
9 actually economically necessary to use one platform for  
10 developing more than one lease area. Additionally, cer-  
11 tainly if at times it is economically feasible, all other  
12 factors considered, they would go to ocean floor development  
13 and slant drilling.

14 GOV. ANDERSON: How much of the area would this  
15 cover if it went to its capacity?

16 MR. HORTIG: The question is complicated by the  
17 fact, Governor, that this depends upon how deep the oil  
18 reservoirs are located. The shallower they are located, the  
19 less area can be covered by slant drilling; the deeper they  
20 are located -- and we do not know with certainty how deep  
21 these reservoirs are located, because we are just starting  
22 on this; actually we have drilled from onshore horizontally  
23 a distance of two miles -- it can be done if the oil reserves  
24 are so distributed with respect to the location of the plat-  
25 form. Actually, this particular lease on which this platform  
26 is located isn't that large, in the first instance.

1           GOV. ANDERSON: My thought was that we could wind  
2 up with a sort of orchard of oil wells there out in an area  
3 spaced a mile apart, or half mile apart.

4           MR. CHAMPION: I'd like to suggest that the staff  
5 might take a look at the areas in which we are leasing and  
6 come back with a report of what kind of prospect we face here  
7 and whether we should limit this or not.

8           GOV. ANDERSON: Some time back we were talking about  
9 this new method, in which they have this on the floor of the  
10 ocean. We have heard a lot about that and I have not heard  
11 much about it since.

12          MR. HORTIG: We now have off Santa Barbara coast the  
13 largest number of ocean floor producing oil wells in the  
14 world -- upwards of fifteen.

15          GOV. ANDERSON: Why wouldn't we use these platforms  
16 here?

17          MR. HORTIG: One, there is greater water depth and  
18 platforms become exceedingly expensive in greater water  
19 depth; secondly, there is the matter of esthetics and objec-  
20 tions offered by the local boards of supervisors or communi-  
21 ties at the time such hearings were held by the State Lands  
22 Commission.

23          GOV. ANDERSON: You mean there are more objections  
24 off the Santa Barbara coast than in this area?

25          MR. HORTIG: And these have been voiced.

26          MR. CRANSTON: Has Orange County been fully aware  
of this?

1 MR. HORTIG: Yes, sir. Hearings were held on the  
2 operation and objections were few.

3 GOV. ANDERSON: If they were a better potential,  
4 would they use them?

5 MR. HORTIG: Within reason. The only request was  
6 that these platforms be kept a mile offshore. This one we  
7 are discussing is two and two-tenths miles offshore.

8 MR. CHAMPION: I think we ought to consider more  
9 than whether there is a vocal protest in a community, and  
10 take a look and see whether there should be a requirement,  
11 particularly as to the new leases.

12 MR. HORTIG: I should bring to the attention of the  
13 Commission that the statutes require, in connection with any  
14 permanent placement offshore, a review of the placement by  
15 Beaches and Parks of the Resources Agency, as to whether such  
16 operation will interfere with the recreational use of the  
17 beach areas; and all of these platforms approved by the Lands  
18 Commission have been cleared by Beaches and Parks prior to  
19 that.

20 GOV. ANDERSON: After five years have gone by and  
21 the 150-foot derrick is taken off, how long would the float-  
22 ing platform be there?

23 MR. HORTIG: For so long as oil and gas are produced.

24 GOV. ANDERSON: We have to think of what?

25 MR. HORTIG: Forty or fifty years.

26 GOV. ANDERSON: I think we have to realize this.

9  
1 MR. CHAMPION: I think so, and I would like to see  
2 a staff analysis of what we are facing out there and whether  
3 we want to effect a stricter regulation on the use of plat-  
4 forms.

5 I have a motion to approve the items.

6 GOV. ANDERSON: Second.

7 MR. CRANSTON: With the exception of item (d).

8 MR. CHAMPION: With the exception of item (d), which  
9 was stricken. Seconded. Any questions? (No response)  
10 Stand approved.

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

13 (a) Determination of subsidence costs subsequent to  
14 April 1, 1956, and of the State's share of such subsidence  
15 costs in the Port of Long Beach authorized fund expenditures  
16 Nos. 10, 14, 204, 334, and 355, deductible from oil revenue  
17 payable to the State (under the provisions of Section 5(a)(1)  
18 of Chapter 29, Statutes of 1956, 1st E.S.) to be shown on  
19 Exhibit A; and authorization for execution of appropriate  
20 instruments to make the necessary adjustment. Total credit  
21 due State, \$999.75; total credit due City, \$4,655.13.

22 I think we ought to treat that as a separate item.  
23 What is the pleasure of the Commission?

24 MR. CRANSTON: I move approval.

25 GOV. ANDERSON: Second.

26 MR. CHAMPION: Stands approved. (b) Authorization

1 for Executive Officer to execute, as of December 20, 1963,  
 2 the collateral agreement relating to the "Drilling and Oper-  
 3 ating Contract (Long Beach Department Tidelands Parcel)",  
 4 by and between the Board of Harbor Commissioners of the City  
 5 of Long Beach and the State of California.

6 MR. HORTIG: The Commission will recall having  
 7 approved the award of a contract by the Long Beach Harbor  
 8 Commission for the Long Beach Harbor Department parcel, for  
 9 which the existing contract expires March 20th of this year.  
 10 The City of Long Beach -- specifically, the Harbor Commission --  
 11 accepted the form of collateral agreement required by the  
 12 Lands Commission as a condition of approval of the award.  
 13 Under our current statutes, before execution of the same  
 14 collateral agreement already accepted by the City and on be-  
 15 half of the Commission, there must be a specific resolution  
 16 authorizing the Executive Officer to execute on behalf of  
 17 the Lands Commission -- and that is what is sought by this  
 18 recommendation.

19 MR. CHAMPION: What is the pleasure of the Commission?

20 GOV. ANDERSON: I'll move it.

21 MR. CRANSTON: Second it.

22 MR. CHAMPION: It has been moved and seconded. Any  
 23 questions? (No response). Stands approved.

24 Exchange application of Delbert J. Sargent. Progress  
 25 report re negotiations looking toward the continuation of Mr.  
 26 Sargent's tropical fish hatchery operations through a lease

1 arrangement with the County of Imperial.

2 Do you wish to speak to that, Mr. Hortig?

3 MR. HORTIG: Yes, Mr. Chairman. Pursuant to the  
4 suggestions of the Lands Commission at the last meeting where  
5 this item was considered, the County of Imperial undertook  
6 negotiations and conferences and the proffer of a form of  
7 lease arrangement to Mr. Delbert Sargent. Mr. Sargent was  
8 notified by letter, which he has acknowledged he has received,  
9 that this matter would be on the agenda today.

10 Representatives of the County of Imperial are here  
11 and have reported by letter that, despite their attempts at  
12 negotiation and offer of lease, Mr. Sargent has not concurred  
13 or agreed with them on any details or even general provisions  
14 of such a lease, and as of 9:25 a.m. this morning Mr. Sargent  
15 telephoned and stated that he would not be present, that he  
16 was unable to reach his attorney and, therefore, would not  
17 be represented at the meeting today, and asked for a continu-  
18 ance of this matter until the February meeting of the Commis-  
19 sion. Under the circumstances, I believe it might be  
20 advantageous to the Commission to have a brief summary report  
21 of the activities that have been conducted by the County of  
22 Imperial on their own behalf in this matter.

23 MR. CHAMPION: Is there a spokesman here for  
24 Imperial County?

25 MR. FOOTE: Mr. Chairman, I am Orlando Foote, Imperial  
26 County Counsel. There have been, as Mr. Hortig noted, extended



1 negotiations. These negotiations are outlined in a letter,  
 2 which I hope reached you gentlemen. There is a rather sub-  
 3 stantial delegation from Imperial County, consisting of Mr.  
 4 L. H. Dowe, Chairman of our Board of Supervisors; Mr. Carey,  
 5 member of the Board of Supervisors; Mr. David Pierson,  
 6 Director of Public Works; and Mr. Albert Haberger, our  
 7 County Administrator.

8 Pursuant to Mr. Sargent's request to the Board of  
 9 Supervisors, the Board appointed Mr. Haberger, our County  
 10 Administrator, as its representative to negotiate with Mr.  
 11 Sargent, with the prospect of reaching an agreement with  
 12 respect to this lease arrangement. Mr. Haberger, I believe,  
 13 is well qualified to give to you gentlemen a report on the  
 14 situation.

15 MR. CHAMPION: Would this be in substance what was  
 16 given to us in writing?

17 MR. FOOTE: Yes, it would.

18 MR. CHAMPION: Have you had an opportunity to  
 19 examine this?

20 GOV. ANDERSON: No, just a cursory examination.

21 MR. CHAMPION: Would you like to have Mr. Haberger  
 22 speak briefly? Our own impression was that the County had  
 23 carried forward negotiations in good faith and made a reason-  
 24 able offer. I don't know whether the other members of the  
 25 Commission feel the same way or not.

26 GOV. ANDERSON: What about the suggestion, inasmuch

1 they haven't got together, of some method of arbitration?  
2 Wasn't that suggested?

3 MR. HORTIG: This was suggested by Mr. Sargent.

4 MR. FOOTE: This was suggested by Mr. Sargent late  
5 in January. Well, I shouldn't say late in January -- late  
6 in the course of the negotiations, after he appeared before  
7 the Board of Supervisors on December 18th and requested that  
8 the Board appoint Mr. Habberger to represent the Board in its  
9 negotiations. In other words, Mr. Sargent in the first re-  
10 quest made the attempt to obtain one individual to deal with  
11 insofar as the County was concerned, and then at a later  
12 date when the Board had turned the matter over to Mr. Habberger,  
13 made a further request that the Board in conjunction with Mr.  
14 Sargent appoint a board of arbitration.

15 Feeling that this matter had progressed to the  
16 point where an agreement at least equitable with Mr. Sargent  
17 was possible, the Board felt nothing would be gained by  
18 appointment of an arbitration board, so to speak, in midstream.  
19 For that reason, no action was taken on Mr. Sargent's request.

20 GOV. ANDERSON: I had in mind something along the  
21 lines of each side appointing someone, the two people appoint-  
22 ing a third person to form an arbitration board of three  
23 people. We have never got to this stage, have we?

24 MR. FOOTE: No sir, we haven't.

25 MR. SIROTY: I would suggest that we hold off  
26 discussion until next month. I know the gentlemen from

1 Imperial County are here and have taken their time, but it  
 2 seems to me it wouldn't be fair to Mr. Sargent to allow a  
 3 presentation to the Commission without his being present,  
 4 and I would suggest we ask Mr. Sargent to come into the next  
 5 Commission meeting in Los Angeles.

6 MR. CHAMPION: He was afforded every opportunity to  
 7 be here today.

8 MR. CRANSTON: Just what was the reason advanced  
 9 for failure to be here? There was a communication from him?

10 MR. HORTIG: Yes. The first communication on the  
 11 subject yesterday afternoon by telephone was to the effect  
 12 that he had not been notified that this matter would be on the  
 13 agenda. He concurred, when questioned specifically as to  
 14 whether he had received the written notice from the Lands Com-  
 15 mission dated January 8th, that he had received this notifica-  
 16 tion; that there had been no change in the specification of  
 17 time and place of the meeting, but that he had simply assumed  
 18 that because the County had submitted additional material to  
 19 the Lands Commission that this for some reason had altered  
 20 the agenda for the Lands Commission.

21 MR. CRANSTON: What is your recommendation, Frank?

22 MR. HORTIG: My recommendation is that the Commis-  
 23 sion give consideration to the request of the County of  
 24 Imperial here today for action by the Lands Commission; that  
 25 for two months this matter has been pending with the State  
 26 Lands Commission; Mr. Sargent has, as the Chairman pointed

1 out, been afforded every opportunity to participate, to make  
2 submittals, and has had his negotiation period with the  
3 County of Imperial -- which, from the written report from  
4 the County of Imperial, indicates specific offers, no counter  
5 offer by Mr. Sargent other than request for further delay,  
6 even as with the request for further delay in consideration  
7 of this matter by the Lands Commission here today.

8 MR. CRANSTON: In what form is the County request  
9 now before us? Exactly what do they ask us to do?

10 MR. HORTIG: The County's request is that the  
11 application pending with the Bureau of Land Management, filed  
12 by the State Lands Commission to secure the subject lands for  
13 ultimate sale to Mr. Sargent, be withdrawn -- which is within  
14 the power of the Commission to do -- in order that the County  
15 may perfect its application with the Bureau of Land Manage-  
16 ment for acquisition of the same lands. There is a possible  
17 basis for settlement for consideration.

18 MR. CHAMPION: Well, our action would be conclusive  
19 without going to the merits of the controversy, and if we  
20 were to take this action, I think probably we would want to  
21 attach a proviso that the County at a minimum meet the terms  
22 set forth in their offer to Mr. Sargent. The controversy  
23 between the two is really not ours to decide, except that  
24 our action just ends the case, therefore I think we would  
25 want to attach that proviso.

26 MR. CRANSTON: I would like to move we proceed in

1 that fashion, with that proviso to protect....

2 GOV. ANDERSON: What is the County doing that Mr.  
3 Sargent asked for, other than what they offered originally?

4 MR. CHAMPION: Perhaps Mr. Hortig could outline  
5 the improvements made in the County's position. They  
6 offered them considerably more acreage.

7 MR. GOLDIN: Mr. Champion, as the Commissioners'  
8 legal adviser, if I understand Mr. Hortig's suggestion cor-  
9 rectly, he is raising the possibility that the Commission  
10 take action with respect to the withdrawal of the Sargent  
11 application. Is that correct?

12 MR. HORTIG: Yes.

13 MR. GOLDIN: Under these circumstances, I believe  
14 it incumbent to point out the nature of the calendar item  
15 before you gentlemen this morning. It is true that Mr.  
16 Sargent had notice that the matter was going to be considered.  
17 However, he was given notice that a progress report would  
18 then be presented, rather than notice that action may be  
19 taken on the merits of the application. Under these circum-  
20 stances, I am afraid that it is unduly ....

21 MR. CHAMPION: I think you are right, Mr. Goldin.  
22 The point is well taken. The form of notice on here, as Mr.  
23 Goldin suggests, means that we probably cannot take action  
24 without having some difficulties involved. I think, however,  
25 you now know the sentiment of the board on this thing, and  
26 we would hope to conclude it in the next meeting.

1 MR. FOOTE: Mr. Champion, I would make this request.  
 2 At the meeting of November 6th, the Commission expressed sub-  
 3 stantially the same reaction -- that you basically favored  
 4 the County's position . . . .

5 MR. CHAMPION: I don't think the Commission did;  
 6 I think I did.

7 MR. CRANSTON: I expressed no viewpoint at that  
 8 meeting.

9 GOV. ANDERSON: I don't think we ought to give them  
 10 the impression we want them to go back and be rough on this  
 11 guy. I think we want them to go back and negotiate this  
 12 matter. I think the other gentleman has some real points  
 13 here that have not been worked out.

14 MR. FOOTE: We certainly acknowledge Mr. Sargent has  
 15 an equitable interest in this, and on that basis have at-  
 16 tempted to negotiate with him. The only observation I was  
 17 going to make with respect to what was said at the last meet-  
 18 ing is that the matter will be continued for a period of  
 19 thirty days and the parties at that time would appear and  
 20 make a report with respect to their progress, with a view  
 21 toward the Commission taking final action. I believe that  
 22 the transcript will bear me out on this -- that this was the  
 23 order given -- and I might observe that there is a matter of  
 24 terrific urgency in this respect.

25 There are some seventeen hundred trailers on this  
 26 property that the County now owns surrounding mineral wells.

1 Approximately twenty-three hundred people are using these  
2 waters. There is a terrific health hazard, a terrific fire  
3 hazard. The only way in which the County would be in a posi-  
4 tion to control this at this point would be to clear these  
5 people out and, of course, we don't want to do that.

6 On February 4th and continuing through the week of  
7 February 4th, we are meeting with prospective bidders on this  
8 acreage. We are virtually in the position of having to have  
9 this matter settled prior to that time. This was the assump-  
10 tion the County was operating under, based on the Commission's  
11 order at its meeting of November 6th. We are in a very dif-  
12 ficult position.

13 MR. CHAMPION: Mr. Goldin, does this in any way  
14 alter your view on this?

15 MR. GOLDIN: No, sir -- for the reason, in turning  
16 to the pages of the calendar, it is quite evident that virtu-  
17 ally every item has at the bottom a proposed resolution and  
18 recommendation; and I believe that it would be reasonable for  
19 Mr. Sargent to have inferred that he was not running a risk  
20 that the Commission would take action on the merits of the  
21 application -- that the worst he would suffer would be an  
22 adverse progress report.

23 MR. GRANSTON: Mr. Chairman, I would like to say,  
24 first, I expressed no viewpoint inside this body or outside  
25 this body up to this time, because I was deeply concerned  
26 with Mr. Sargent's own interest in the time he has been

1 involved here. In exploring this, I have become convinced  
2 there is an overriding interest in the other direction on  
3 behalf of many, many people who will have the use of this  
4 area if the County's request is granted. So I am now strongly  
5 in favor of doing this, but in terms that do give Mr. Sargent  
6 maximum protection possible. Certainly we don't want to act  
7 in any way that would further snarl matters.

8 I would like to suggest that, since all the members  
9 of the Commission will be in Sacramento next week, we could  
10 have a meeting briefly. I am sure the three members could do  
11 that briefly next week, because we will all be in Sacramento  
12 when the Legislature meets.

13 MR. CHAMPION: That would be agreeable to me.  
14 Would that be all right for you?

15 MR. CRANSTON: The only question would be the legal  
16 problem of how we set that up Monday, Tuesday or Wednesday  
17 in Sacramento.

18 MR. HORTIG: Mr. Chairman, may I suggest if there  
19 is contemplation of such a meeting that we anticipate it  
20 not be set any earlier than the latter part of next week,  
21 because Mr. Sargent cannot be contacted by telephone; he  
22 can only be contacted by registered mail, which he drives  
23 into ....

24 MR. CRANSTON: Frank, I suggest we cut through  
25 matters of that kind. I suggest we send somebody down to  
26 give him notice that we will have a meeting Monday, Tuesday



1 or Wednesday. I can only appear early in the week.

2 MR. CHAMPION: I am sure the members of Imperial  
3 County will give him such notice.

4 MR. FOOTE: We will be happy to do that.

5 MR. CRANSTON: I would suggest we meet Wednesday  
6 morning at any convenient time. (Some discussion between  
7 members). Nine o'clock Wednesday morning, February 5th,  
8 in Sacramento.

9 MR. CHAMPION: Unless there is objection, that  
10 will be the order then. This matter will be put over until  
11 nine o'clock Wednesday, February 5th, in Sacramento.

12 MR. FOOTE: Mr. Chairman, may I make one .....

13 MR. CRANSTON: Let's be clear that the staff and  
14 the County are instructed to see to it that physical delivery  
15 is made of due and proper notice of this meeting at once.

16 MR. FOOTE: May I inquire what the action of the  
17 Commission will be in the event Mr. Sargent still maintains  
18 his unavailability at that time?

19 MR. CHAMPION: We can't forecast that. Mr. Cranston  
20 has made a complete statement of his position, and I have  
21 made one of my position. I think we would be ready to act at  
22 that time, but Mr. Sargent should be contacted and every  
23 effort should be made to work out an agreement with him to  
24 the extent that it can be done; but under notice that we will  
25 act at that time.

26 MR. FOOTE: Thank you.

1 MR. CHAMPION: Authorization for Executive Office  
2 to initiate procedures for consideration of amendment of  
3 Section 2100 (f) (5), California Administrative Code, Title  
4 Division 3, Rules and Regulations of the State Lands Commis-  
5 sion, as proposed in Exhibit A. Mr. Hortig?

6 MR. HORTIG: Mr. Chairman, the rules and regula-  
7 tions relating to geological exploration permits have the  
8 same language as a basis of possible ambiguity of interpreta-  
9 tion that the former geophysical exploration permit previous  
10 had in it, which surplus language was removed from the form  
11 of geophysical exploration permit at the last meeting of the  
12 Commission. Therefore, to clarify both types of permits  
13 uniformly, it is recommended that the staff be authorized to  
14 initiate the procedures required under the California Admini-  
15 strative Code to adopt rules and regulations, to strike this  
16 same surplus language from the geological exploration permit  
17 that was heretofore removed from the geophysical permit, in  
18 order that both types of permits conform with the statutory  
19 language on these permits.

20 MR. CRANSTON: So move.

21 GOV. ANDERSON: Second.

22 MR. CHAMPION: Stands approved. I would like to  
23 take one item out of order. It is an added item on the  
24 agenda, which I want to present.

25 GOV. ANDERSON: And the next one, because I would  
26 like to ask a few questions in front of you.

1 MR. CHAMPION: This is Supplemental Calendar Item  
 2 23 -- Salary of Executive Officer - Personnel. At its meet-  
 3 ing of December 20, 1963, the Commission took the following  
 4 action: "The salary for the position of Executive Officer,  
 5 State Lands Commission, is declared 'open for adjustment'  
 6 as of January 1, 1964."

7 Exempt Pay Memorandum No. 9-14 was issued by the  
 8 Department of Finance in January 1964. This memorandum re-  
 9 vised the salary range for the position Executive Officer  
 10 from \$1,225 to \$1,490, to \$1,351 to \$1,642, effective  
 11 January 1, 1964. Item No. 35, Chapter 8, 1963, First Extra-  
 12 ordinary Session, provided for salary increases for many com-  
 13 parable classes in State civil service effective January 1,  
 14 1964.

15 In view of the foregoing, I would recommend that we  
 16 consider adjustment of the salary of the Executive Officer.  
 17 The salary is presently set at the maximum of the former  
 18 range, \$1,490. In order for the new range maximum, \$1,642,  
 19 to be effective, action by the Commission is required; and I  
 20 would recommend we make this change.

21 GOV. ANDERSON: Then where do we start in this  
 22 salary?

23 MR. CHAMPION: He is at the maximum of the present  
 24 schedule and would go to the maximum of the new schedule.

25 GOV. ANDERSON: In other words, he would go from  
 26 \$1,490 to \$1,642?

1 MR. CHAMPLION: Yes. This is being done throughout  
2 the State.

3 MR. CRANSTON: I second the motion.

4 GOV. ANDERSON: Do you approve this?

5 MR. HORTIG: Yes, sir.

6 MR. CHAMPLION: There being no objection, it will  
7 stand approved.

8 We will turn to Item 8 -- Authorization for Execu-  
9 tive Officer to approve a natural gasoline sales agreement  
10 between Humble Oil & Refining Company, as seller, and Stand-  
11 ard Oil Company of California, Western Operations, Inc., as  
12 buyer, effective for a period of one year after November 1,  
13 1963, and thereafter until terminated by either party on six  
14 months' written notice to the other, for the sale of natural  
15 gasoline extracted from wet gas produced under State Oil and  
16 Gas Leases in the Huntington Beach Field.

17 Do you want to hear from Mr. Hortig on this?

18 GOV. ANDERSON: I want to ask some questions, be-  
19 cause I am not quite clear on this. First, is it good to  
20 have a contract or agreement that doesn't really terminate?  
21 In other words, this is renewed yearly but it is really re-  
22 newed without looking at it, and if you wish to terminate you  
23 have to give six months' notice...

24 MR. HORTIG: After one year.

25 GOV. ANDERSON: In this kind of thing, doesn't it  
26 tend to just get in the files and go on and on? Isn't it

1 better to have a definite date for the termination of an  
2 agreement, so you take a look at it?

3 MR. HORTIG: The problem here, Governor, is we are  
4 dealing with the natural gas and natural gas products as  
5 developed from a State oil and gas lease, and the lease pro-  
6 vides in turn that the lessee shall not dispose of the  
7 products except pursuant to a sales contract or other form of  
8 notification previously approved by the State Lands Commission.  
9 We are dealing here with a product which in itself is not part  
10 of the competitive public bidding, and the bidding elements  
11 relate primarily to the oil royalty and the amount of royalty  
12 that is going to be paid on the oil.

13 The royalty to be paid on gas and gasoline is fixed  
14 by statute and, therefore, these contracts, such as are under  
15 consideration here, are arms length negotiations by the lessee  
16 to sell that product at the maximum price he can get by an  
17 arms length negotiation -- negotiation in which the State is  
18 not a party and, therefore, not being a party as such, it  
19 is not in a position to suggest different forms of contract  
20 for the disposal of the product.

21 GOV. ANDERSON: You wouldn't feel it would then be  
22 wise on this kind of agreement to look at it, say, every five  
23 years and let both sides know it is going to end at that  
24 time? You think it would be just rewriting the same agreement?

25 MR. HORTIG: Essentially that; and, in addition,  
26 there possibly would be a depressing factor in the original

1 negotiations for a full-term contract, where the contracting  
2 parties do not know they are going to have the contract for  
3 the full length of the contract, but only five years.

4 GOV. ANDERSON: This arms-length contract you  
5 speak of, is this the only type of contract we do this on?

6 MR. HORTIG: For the sale of the gas and the gaso-  
7 line, where the royalty rate is specified by statute only.

8 GOV. ANDERSON: That is the only kind? Everything  
9 else does have a terminating date?

10 MR. HORTIG: For every contract where we lease or  
11 otherwise convey.

12 GOV. ANDERSON: If you had the same attitude  
13 there, this would be true too?

14 MR. HORTIG: In the other contracts the State is a  
15 party.

16 GOV. ANDERSON: Then the depressing part would not  
17 have anything to do with it?

18 MR. HORTIG: No.

19 GOV. ANDERSON: I notice a couple things - - I  
20 notice in paragraph three, where the agreement is the highest  
21 quoted price for the natural gasoline. Isn't this what we  
22 were asking for in the Long Beach situation?

23 MR. HORTIG: With respect to oil, Governor, this is  
24 a different situation again. This was selected as a yardstick  
25 by the negotiators for this gasoline.

26 GOV. ANDERSON: If we can use the highest quoted

1 price for natural gasoline in this area, why couldn't you use  
2 the same kind of formula for oil? In other words, why do  
3 they agree to it, and why is it so difficult to do in other  
4 circumstances?

5 MR. HORTIG: Because this is a contract between two  
6 companies, who again feel that they are looking at only their  
7 own intercorporate relationships. A possible change in price  
8 by someone else outside of this contract would not affect and  
9 would neither increase or decrease the cost of the product,  
10 as would be the case...

11 GOV. ANDERSON: It says also, "Gross market value is  
12 the reasonable market value as fixed by the State."

13 MR. HORTIG: Unless the products are disposed of  
14 pursuant to sales contract.

15 GOV. ANDERSON: Approved by the State.

16 MR. HORTIG: Approved by the State; this is correct.

17 GOV. ANDERSON: Isn't this in a sense what we were  
18 talking about in the Long Beach situation?

19 MR. HORTIG: In terms of arriving at a yardstick for  
20 measuring the value of the product, it is correct; but the  
21 same factors that would cause a possible depressing element in  
22 bidding for the oil, as a result of highly variable highest  
23 posted prices which are not truly reflective of the reasonable  
24 market value, would influence the oil more than any problem  
25 with respect to this gasoline -- which, in the first instance,  
26 carries a much lower royalty rate, certainly has a much lower

1 unit value, and in this instance the yardstick is only as  
2 applied between two corporations.

3 GOV. ANDERSON: It seems to me, in my not knowing  
4 too much of this language and the technicalities of this, the  
5 very thing we were talking about -- I see written in here;  
6 and apparently they have no objection that the market value  
7 is the reasonable market value as fixed by the State or a  
8 contract approved by the State, which again puts us in the  
9 picture; and secondly, they agree to the highest posted price.  
10 It seemed to me if it can be done in one case, it shouldn't  
11 be too difficult to do it in another.

12 MR. HORTIG: The agreement to use the highest price  
13 as a yardstick in this instance, as I said, only affects the  
14 seller and buyer corporations in this instance. This is an  
15 entirely different operation than an agreement to utilize a  
16 highly fluctuating and variable price that could be adjusted  
17 by competition to the disadvantage of the parties to the con-  
18 tract. In this instance, no one else can come along and post  
19 a higher price and affect this particular sales agreement.

20 MR. CHAMPION: I think what Governor Anderson is  
21 saying -- we do have a continuing interest in trying to find  
22 an administratively workable method of using the highest  
23 posted price if we can do it, and I think all the members of  
24 the Commission have expressed themselves on one occasion or  
25 another -- the difficulty being we have never found an admini-  
26 strative device; and if this offers a possibility, we ought



1 to look into it. I have had other staff members of the  
2 Department of Finance trying to find a way to do this; they  
3 are working on it now. I think before we act, when and if we  
4 arrive at a new contract proposal with Long Beach, we ought  
5 to go over this subject very carefully again.

6 MR. HORTIG: I would like to report to the Commis-  
7 sion that definitely from the staff standpoint we have not  
8 stopped working on that, particularly in the pricing area,  
9 with the Long Beach development specifically in mind.

10 I should like to also point out that there is no  
11 statutory requirement for highest posted price. The statutory  
12 requirement is that the Commission shall specify some method  
13 of pricing which will assure that the State receives returns  
14 based on reasonable market value of the product.

15 GOV. ANDERSON: I have no objection to this item.  
16 As a matter of fact, I used this item to express my favor of  
17 some of these things. I'll move the item.

18 MR. CRANSTON: Second.

19 MR. CHAMPION: Stands approved.

20 Authorization for Executive Officer to issue a  
21 mineral extraction lease for a term of five years to Stanley  
22 E. Ryerson and Frederick E. Pinner, the highest qualified  
23 bidders, for 80 acres of State school lands that were sold  
24 with mineral reservation to the State, near the City of  
25 Brawley, Imperial County, for the extraction of sand and  
26 gravel, at minimum royalty of ten cents per cubic yard.

1 GOV. ANDERSON: Move it.

2 MR. CRANSTON: Second.

3 MR. CHAMPION: Stands approved.

4 Proposed Oil and Gas Lease, 3,324 acres tide and  
5 submerged lands in Santa Barbara Channel, Santa Barbara  
6 County, in the vicinity of the Elwood Oil Field - Parcel 18.  
7 What is the pleasure of the Commission?

8 GOV. ANDERSON: This is approval of a lease?

9 MR. HORTIG: No, sir. This is a recommendation  
10 for authorization to advertise the next parcel in the Com-  
11 mission's sequential leases.

12 MR. CRANSTON: It is simply stepping along. I  
13 move approval.

14 GOV. ANDERSON: Second.

15 MR. CHAMPION: Stands approved.

16 MR. LINGLE: Pardon me. I understand you have to  
17 leave. I am a little confused over your action on the first  
18 item, which I understood was that if we brought a contract  
19 from Long Beach, it would not be considered. Now, the last  
20 action I knew of was a joint meeting where the staffs were  
21 supposed to continue working. I am going to have to make a  
22 report. I'd like to know if there is any point in these  
23 staffs continuing to work together.

24 MR. CHAMPION: I think there is, Mr. Lingle. I am  
25 informed that there has been occasional meeting, that there  
26 has been no agreement, that there have been various economic

1 and other studies going on; and I would assume it would be  
2 to the benefit of both parties to work toward this, but I  
3 think it is unlikely, while this matter is under consideration  
4 by the Legislature, we would reach any final agreement based  
5 on a law which the Legislature is considering changing and  
6 if, as is expected, the Governor specifically opens for con-  
7 sideration Chapter 29 of 1956. I think that the Commission  
8 would have to recognize the Legislature's consideration of  
9 changing that law.

10 MR. LINGLE: Obviously. I just wanted a  
11 clarification.

12 MR. CHAMPION: I don't think we should discontinue  
13 our discussions and negotiations.

14 MR. CRANSTON: Is there reason to think that the  
15 changes which might be enacted would actually have any direct  
16 bearing on the terms of the contract? It would have a bearing  
17 on allocation of whatever funds come in; but it wouldn't have  
18 a bearing on the terms we have been debating among ourselves  
19 in the terms of the contract.

20 MR. CHAMPION: I would assume from discussions in  
21 committee and elsewhere that there would be changes between  
22 the State and Long Beach beyond the revenues. There would be  
23 imposition of further guarantees the State might seek in the  
24 expenditure of funds; there might be other changes in the law  
25 or consideration of other changes.

26 MR. LINGLE: Thank you.

1 MR. CHAMPION: Thank you.

2 MR. CRANSTON: As far as I am concerned, I would  
3 like to have this matter left that I hope there is no delay.  
4 I have not expected it to come to us during the next month  
5 or two from what I have heard of the negotiations, but I  
6 would hope that all possible speed can be carried forward so  
7 that this does come to us at the earliest practical moment.  
8 At that time, I think we have to see where we are -- as to  
9 whether we are going to have a meeting of the minds with  
10 relation to what is occurring in the Legislature, I am sure I  
11 speak for Hale and the Governor also that we hope to bring  
12 this to the earliest possible satisfactory mutual conclusion,

13 MR. CHAMPION: Is there anything further on this  
14 matter? (No response)

15 (Mr. Champion left the meeting room at this point)

16 GOV. ANDERSON: Continuing with the calendar, item  
17 classification Number 11 -- Service Agreements:

18 (a) Service agreements with the City of Vallejo on  
19 behalf of the State Lands Commission as contractor, to survey,  
20 monument, plat, and record the plats of certain tide and sub-  
21 merged lands granted to the City of Vallejo, as follows:  
22 Chapter 24/63 (Work Order 4871) -- Services not in excess of  
23 \$900; Chapter 63/62 (Work Order 4416) -- Services not in ex-  
24 cess of \$900; Chapter 1507/57 (Work Order 3317) -- Services  
25 not in excess of \$700.

26 MR. CRANSTON: I move approval.

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GOV. ANDERSON: No objection, so ordered.

Item (b) Service Agreement with City of Crescent City, on behalf of the State Lands Commission as contractor, providing for surveying services to be rendered the City under the provisions of Chapter 977/63, at the Commission's actual costs, not to exceed \$2800.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Second. No objection, so ordered.

Item (c) Supplementary agreement to Agreement No. LC-175, dated May 23, 1960, between Remington Rand and the State Lands Commission, to augment, in the sum of \$27,000, the funds heretofore provided to perform work in connection with the indexing of lands under the jurisdiction of the United States, pursuant to Sec. 127, Government Code.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Item 12 -- Confirmation of transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1959.

MR. CRANSTON: Move approval.

GOV. ANDERSON: Seconded, and so ordered.

Item 13 -- Informative only, no Commission action required: Report on status of major litigation.

MR. HORTIG: No substantial modifications and there is a written report as contained in pages 32 through 34.

1 MR. CRANSTON: No action required there.

2 GOV. ANDERSON: Item 14 is the confirmation of date  
3 time and place of the next Commission meeting. I have just  
4 checked my calendar. Your nine o'clock Wednesday is all  
5 right -- that's the special meeting you are calling -- nine  
6 o'clock in the morning, Wednesday, February 5th, in Sacramento.

7 MR. CRANSTON: What is the regular next meeting?

8 GOV. ANDERSON: The next regular meeting -- I  
9 think we have made some changes. The next one would be in  
10 Los Angeles on February 27th.

11 MR. HORTIG: On Thursday. These are the dates  
12 which are being cleared with all your respective offices.

13 GOV. ANDERSON: So the next regular one is February  
14 27th, here in Los Angeles. No objection, so ordered. No  
15 further business ....

16 MR. CRANSTON: What about the supplemental items?

17 MR. HORTIG: There are three more supplemental  
18 items.

19 GOV. ANDERSON: Which supplemental items?

20 MR. HORTIG: Page 35 and 36....

21 GOV. ANDERSON: Supplemental Calendar Item Number  
22 24 -- Proposed Oil and Gas Lease, Tide and submerged lands,  
23 Orange County -- Work Order 4930, Parcel 16A.

24 MR. HORTIG: Briefly, Mr. Chairman, this is the  
25 recommendation pursuant to the bids which were received on  
26 January 15, 1964 for lease award of Parcel 16A, Orange County

1 previously authorized by the State Lands Commission. The  
2 Office of the Attorney General has reviewed and found that  
3 the bid submitted conforms with the requirements specified in  
4 the proposal of the Commission and the applicable provisions  
5 of law and rules and regulations of the Commission.

6 These bids were also reviewed by the staff as to  
7 technical sufficiency and economic factors; and, therefore,  
8 it is recommended that the highest bid, which was that of  
9 Standard Oil Company of California, with the cash-bonus payment  
10 in consideration of issuance of the lease to be \$4,066,676,  
11 should be accepted and the lease awarded.

12 MR. CRANSTON: So move.

13 GOV. ANDERSON: And seconded; carried unanimously.

14 Supplemental Calendar Item 25 -- Amendment of  
15 geological survey permit P.R.C. 2791.1, Santa Barbara, Ventura,  
16 Los Angeles, and Orange counties; Richfield Oil Corporation,  
17 W.O. 5023. Do you want to explain that, Mr. Hortig?

18 MR. HORTIG: The proposal is to expand the area  
19 for permitted geological survey exploration to include the  
20 area southerly and easterly from the Los Angeles-Orange County  
21 line down to the northerly and westerly portion of the City  
22 of Newport Beach. This same area is included in other geo-  
23 logical exploration permits held by other permittees. There  
24 are no objections to the issuance of this permit.

25 MR. CRANSTON: Move approval.

26 GOV. ANDERSON: Second, carried unanimously.

1           The last item, then, is the Supplemental Calendar  
2 Schedule of 1964 Meetings of the State Lands Commission,

3           MR. HORTIG: Which, as reported on page 38, has  
4 been reviewed with the individual Commissioner's offices  
5 and incorporates the changes that your offices had requested.

6           GOV. ANDERSON: I have no objection.

7           (Some discussion between members of Commission)

8           MR. CRANSTON: The three dates that Hale and I  
9 would like to have reviewed before we approve this are  
10 August 27th, November 19th, and December 30th. So I move  
11 that the calendar be approved and we will review those three.

12           GOV. ANDERSON: I will second these on the advice  
13 of Mr. Hortig that he has cleared these with my office.

14           Any further items?

15           MR. HORTIG: No, sir.

16           GOV. ANDERSON: Meeting is then adjourned.

17                           ADJOURNED 11:20 A.M.

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CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing thirty-five 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 January 30, 1964.

Dated: Los Angeles, February 6, 1964.

*Louise H. Lillico*