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TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION
SACRAMENTO, CALIFORNIA
April 29, 1964

PARTICIPANTS:

THE COMMISSION:

Hon. Hale Champion, Director of Finance, Chairman
Hon. Glenn M. Anderson, Lieutenant Governor
(Hon. Alan Cranston, Controller, absent)
Mr. F. J. Hortig, Executive Officer

APPEARANCES:

Mrs. George D. LaMoree
Mr. Howard Leach, Department of Fish and Game
Mr. John B. Robinson, Department of Fish and Game

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 meetings February 5 and February 26, 1964			1
3 PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE			
(a) Orange County Harbor Dist.	21	1	1
(b) City of Redding	16	2	1
4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE			
(a) Associated Dredging Co.	27	4	2
(b) Pacific Gas & Elec. Co.	28	6	2
(c) Socony Mobil Oil Co., Inc.	31	7	2
(d) Lindsey H. Spight, dba Diablo Communic. Center	10	9	2
(e) Lindsey H. Spight, dba Diablo Communic. Center	11	10	
(f) Mrs. Allan H. Beckwith	9	11	3
(g) Everett S. Hamman	25	13	3
(h) Decon Corporation	23	14	3
MOTION ON (h) only -----			5
(i) Southern Calif. Edison Co. and San Diego Gas & Elec.	26	15	6
(j) Karl Pierce, et al	5	17	6
(k) Richfield Oil Corp.	12	18	6
(l) Richfield Oil Corp., et al	18	19	9

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(In accordance with Calendar Summary)
continued

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4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE (continued)			
(m) Standard Oil Co. of Calif. and Humble Oil & Refining	22	20	9
(n) Texaco Inc.	8	21	10
MOTION ON ITEM 4 with exception of (h) -----10 (h) being on page 5			
5 CITY OF LONG BEACH			
(a) Raise 29 Oil Wells in Town Lot Area	14	23	10
(b) Informative Only (Parcel L)	15	26	10
6 LAND SALES & EXCHANGES			
<u>Sale Vacant School Land</u>			
(a) (1) J. Stanley Johnson	4	28	15
(2) State of Calif. Public Works Board	3	30	15
(3) Kelso V.B. Young	30	31	15
(b) <u>Selection and Sale of Vacant Federal Land</u>			
(1) John R. Chase, Jr.	1	33	15
(2) Molybdenum Corp.	17	35	16
(3) Curtis M. Rocca	19	37	16
(c) Reject application of George D. LaMoree, etc.	20	39	18-Deferred
7 OIL AND GAS LEASES			
(a) Adjustments in royalty pay- ments Brazos Oil, etc.	24	42	23
(b) Compensatory Royalty Agree- ment Dow Chemical, et al	13	43	23

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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</u>	<u>PAGE OF</u>	<u>PAGE OF</u>
	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
7 OIL AND GAS LEASES continued			
(c) Issuance Oil & Gas Lease Parcel 17, Orange County	7	45	23
(d) Issuance Oil & Gas Lease Parcel 18A, Santa Barbara County	29	47	23
(e) Authorization to offer Parcel 21, Santa Barb.Cy.	32	49	24
<u>SUPPLEMENTAL</u>			
(f) Authorization to offer Parcel 22, Ventura County	34		24
8 APPROVAL OF MAPS			
(a) Sheets 1 through 10 Of Plat OHWM Shore of Santa Barbara Channel, Vicinity of Port Hueneme	2	51	24
9 CONFIRMATION TRANSACTIONS OF EXECUTIVE OFFICER	6		24
Pauley Petroleum Inc.		52	
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10 INFORMATIVE - Litigation	33	54	25
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LEGISLATION			25

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1 MR. CHAMPION: The meeting will please come to
2 order. The Controller will not be with us today and he has
3 no representative here.

4 The first item is confirmation of minutes of meet-
5 ing of February 5th, which have been distributed to the mem-
6 bers.

7 GOV. ANDERSON: Move it.

8 MR. CHAMPION: Second. Any question or comment?
9 (No response) Stand approved.

10 MR. HORTIG: Mr. Chairman, the order for confirma-
11 tion of minutes should be for the minutes of the meeting of
12 February 5, 1964 and February 26, 1964.

13 MR. CHAMPION: With amendment to that effect,
14 without objection, that will be the order.

15 Item 3 -- Permits, easements, and rights-of-way
16 to be granted to public and other agencies at no fee, pursu-
17 ant to statute. Consideration is the public benefit:

18 (a) Orange County Harbor District -- Permit to
19 dredge approximately 200,000 cubic yards of material from
20 Sunset Bay, Orange County, and deposit material on lands of
21 the Harbor District.

22 (b) City of Redding -- 40-year life-of-structure
23 permit for construction, operation and maintenance of a boat
24 launching ramp and a log boom on 6.10 acres sovereign lands
25 of the Sacramento River, Shasta County.

26 GOV. ANDERSON: I move them.

1 MR. CHAMPION: Second. Is there any question or
2 comment? (No response) Stand approved.

3 4 -- Permits, easements, leases, and rights-of-way
4 issued pursuant to statutes and established rental policies
5 of the Commission:

6 (a) Associated Dredging Company -- 15-year lease of
7 9.385 acres tide and submerged lands of the Petaluma River,
8 Sonoma County (to provide a water access to applicant's up-
9 land.) Annual rental, \$434.90.

10 (b) Pacific Gas and Electric Company -- 15-year
11 lease of 0.623-acre parcel of tide and submerged lands in the
12 San Joaquin River east of Antioch, Contra Costa County -- to
13 provide a barge dock facility for applicant's power plant on
14 adjoining upland. Annual rental, \$334.04.

15 (c) Socony Mobil Oil Company, Inc. -- 15-year lease
16 4.673 acres tide and submerged lands in the Rincon Field,
17 Ventura County (to permit maintenance and use for oil opera-
18 tions of an existing pier, and to allow subsurface drill-
19 through rights for State Oil and Gas Lease P.R.C. 427.1).
20 Annual rental, \$154.68.

21 (d) Lindsey H. Spight, d.b.a. Diablo Communications
22 Center -- Sublease to Beasley Engineering Co. of portion of
23 Lease P.R.C. 2364.2, State school lands on Mt. Diablo in
24 Contra Costa County, for a microwave installation and control
25 station.

26 (e) Lindsey H. Spight, d.b.a. Diablo Communications

1 Center -- Sublease to HEC Trucking Corporation of portion of
2 Lease P.R.C. 2364.2, State school lands on Mt. Diablo in Con-
3 tra Costa County, for a mobile repeater, transmitter, and
4 receiver.

5 (f) Mrs. Allan H. Beckwith -- Permit to dredge not
6 to exceed 10,500 cubic yards of material, at royalty of
7 five cents per cubic yard, from 1.245-acre portion of the
8 Salt Works Canal, Richardson Bay, Marin County, and to deposit
9 material on tideland lots owned by applicant. Will create a
10 navigable waterway to the general area.

11 (g) Everett S. Hamman -- Permit to dredge approxi-
12 mately 500 cubic yards of sand, silt, and gravel from 0.30-
13 acre parcel of the bed of the Noyo River, Mendocino County,
14 at royalty of six cents per cubic yard, and to deposit mater-
15 ial on adjacent property owned by applicant (for stabiliza-
16 tion of the river bank in the vicinity of the removal area,
17 which is presently being eroded).

18 (h) Decon Corporation -- 6-month temporary encroach-
19 ment permit, 0.312-acre parcel of submerged land in the City
20 of Seal Beach, Orange County -- in order to erect a temporary
21 cofferdam to facilitate construction of a bulkhead on adja-
22 cent private land. No consideration necessary.

23 MR. HORTIG: Mr. Chairman, the recommendation here
24 stated is that of the staff. On review, the Office of the
25 Lieutenant Governor has suggested that an alternative recom-
26 mendation be considered by the Commission -- that inasmuch

1 as there will be occupancy for a period not to exceed six
 2 months on approximately one-third acre of tide and submerged
 3 lands for a temporary structure, this occupancy to be by pri-
 4 vate interests in connection with development on the upland,
 5 that the standard rental fees of the Commission relating to
 6 tide and submerged lands should be applied -- which, in this
 7 instance, would be \$195 for the six months.

8 MR. CHAMPION: Has this been discussed with the
 9 corporation?

10 MR. HORTIG: Yes, sir; and they will accept it and
 11 will pay. However, the original permit for no consideration
 12 was predicated on the fact that the occupancy of the tide
 13 and submerged lands is temporary; there is a removal bond
 14 which will assure restoration of the tide and submerged lands
 15 to their original condition; and by reason of the works con-
 16 structed on the uplands further beach erosion in the area
 17 will be prevented and will eliminate the need for Federal
 18 and State beach protection against erosion. It was felt
 19 that the effects in the future would equitably offset the
 20 standard charge for the use of the tidelands.

21 However, in strict application of rules governing
 22 use of public lands by private interests, irrespective of
 23 the purposes, then the rules and regulations of the Commis-
 24 sion would require the \$195 rental fee.

25 MR. CHAMPION: What is the pleasure of the Com-
 26 mission?

1 GOV. ANDERSON: Our contention was that this is a
2 matter of principle, that there has to be a line drawn.
3 Where do you draw it -- \$190, \$490? And almost everybody
4 I have seen come up with these can give benefit to the State
5 for erosion or clearing out a channel. It was just on this
6 basis that we raised this point. If it embarrasses the
7 staff, I wouldn't push it.

8 MR. HORTIG: Not at all.

9 GOV. ANDERSON: Our feeling was -- where do you
10 draw the line; if it is six months, a year -- where do you
11 draw the line?

12 MR. HORTIG: The total factors would require
13 evaluation and judgment. The recommendation of the Lieuten-
14 ant Governor's staff is strictly in conformance with the cold
15 hard facts of the rules and regulations. There is no ques-
16 tion of precedent and no problem of exercise of judgment;
17 and the applicant would prefer to go ahead with the permit
18 at cost or no cost, rather than to debate the subject with
19 the Commission.

20 GOV. ANDERSON: I am not pushing it.

21 MR. CHAMPION: I will accept whatever your motion
22 is.

23 GOV. ANDERSON: Do you have any objection to fol-
24 lowing our recommendation?

25 MR. HORTIG: No, sir.

26 GOV. ANDERSON: All right. I so move.

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MR. CHAMPION: Second -- and we are speaking only to 4(h) -- and that will be the order; amended to follow the recommendation of the Lieutenant Governor's Office. That is Item 4(h) only.

(i) Southern California Edison Company and San Diego Gas and Electric Company -- 3-year permit for purpose of disposing of approximately 450,000 to 500,000 cubic yards of San Mateo Sands (to be removed from upland as part of site preparation for Unit 1 of San Onofre Nuclear Generating Station) on 16.67 acres of tide and submerged lands at San Onofre, San Diego County; and 3-year permit for temporary working area, covering 3.45 acres of tide and submerged lands at San Onofre, San Diego County, at annual rental of \$2,070.

(j) Karl Pierce, et al. -- Deferment of operating requirements for lease-year ending April 13, 1964, Preferential Mineral Extraction Lease P.R.C. 2150.2, San Luis Obispo County. (Because of depressed chrome market, grade of ore on lease area cannot be mined economically at present.)

(k) Richfield Oil Corporation -- Deferment of drilling requirements, Oil and Gas Leases P.R.C. 308.1 and P.R.C. 309.1, Santa Barbara County, through July 31, 1964 to permit completion of -- (could I have an agreement with the staff never to use the non-existent word "finalized"?) -- finalized form of Unit Agreement for pooling productive areas with a view to modifying development and producing requirements of both leases.

1 MR. HORTIG: You have such agreement.

2 GOV. ANDERSON: Can I ask a question? The question
3 doesn't pertain specifically to this one, but it pertains to
4 the series of them; and I wonder if there is any relation-
5 ship between these deferments of drilling requirements and
6 the potential East Wilmington Field? Is there anything be-
7 hind these deferments?

8 MR. HORTIG: I do not believe so, Governor, for
9 the reason

10 GOV. ANDERSON: My question is not on any one of
11 these. I don't want to raise a question on any one. It is
12 just a general thing. I see four of them in a row.

13 MR. HORTIG: Just by the nature of the timing,
14 primarily, for leases issued 1958 and subsequently -- the
15 drilling and development program which was undertaken at
16 that time and which, of course, could not have forecast the
17 East Wilmington Field entering the picture. That drilling
18 development program started originally in accordance with
19 leases issued at that earlier date for a series of leases
20 naturally brings about the same relationship and problems --
21 how many wells to drill, how many have been drilled to
22 date, and the problem of determining which additional areas
23 to drill. In one case, as a typical example here, the
24 lessee is interested in developing as rapidly as possible
25 in order to expedite payout, hopefully, on the investment.

26 MR. CHAMPION: In advance of the exploitation of

1 the East Wilmington Field?

2 MR. HORTIG: Even so; because these started, as I
3 say, for the most part in 1958, and there are leases here on
4 which the operator proceeded with the development at the maxi-
5 mum rate, not taking advantage of the time between wells that
6 he could take under the lease terms and conditions; so that
7 they have actually, timewise, done all the drilling they
8 would have been required to do through the year 1966. So
9 they are really ahead of themselves and these deferment
10 periods for the most part are deferment time until time
11 catches up with them, so they are back to what would be re-
12 quired by the minimum schedule of the leases and to give
13 them the opportunity to determine these additional geophysi-
14 cal and geological studies for the additional wells, rather
15 than by the lease requirements in the first instance, as to
16 how many wells can be drilled on an area.

17 GOV. ANDERSON: I realize they can have two mean-
18 ings there, but I see the wording, "modifying development
19 and producing requirements," and I assumed they want to
20 reduce the amount of production we want.

21 MR. HORTIG: No, sir. That is with respect to
22 Richfield Oil Corporation, item (k) only. It does not apply
23 to the others, which are only for the deferment of drilling
24 requirements. It is a different situation because here we
25 actually have producing wells on two leases that should be
26 combined into one lease operation instead of having two sets

1 of drilling requirements.

2 GOV. ANDERSON: Would the requirements then be
3 reduced?

4 MR. HORTIG: Well, the requirements would be the
5 same for the new unit area that had applied to each of the
6 two leases previously, after the modification has been
7 undertaken.

8 GOV. ANDERSON: So we would actually be combining
9 the producing requirements rather than modifying them?

10 MR. HORTIG: That is right.

11 GOV. ANDERSON: It was the way I was reading it.
12 I didn't want us to be asked in future to modify downward
13 any leasing requirements in view of future developments.

14 MR. HORTIG: The Commission to date has not modi-
15 fied any requirements downward on any oil and gas lease.

16 MR. CHAMPION: (1) Richfield Oil Corporation,
17 et al. -- Deferment of drilling requirements, Oil and Gas
18 Lease P.R.C. 2726.1, Santa Barbara County, through November
19 30, 1964. Area under constant study, but analysis of sonic
20 gas exploder survey made in 1963 has not yet been completed.

21 (m) Standard Oil Company of California and Humble
22 Oil & Refining Company -- Deferment of drilling requirements
23 Oil and Gas Lease P.R.C. 1824.1, Santa Barbara County,
24 through December 9, 1964. Lessees conducting geological and
25 engineering studies which may lead to drilling of additional
26 development or exploratory wells.

1 (n) Texaco Inc. -- Deferment of drilling require-
2 ments, Oil & Gas Lease P.R.C. 2206.1, Santa Barbara County,
3 through December 13, 1964. Information developed during
4 recent drilling of well necessitates complete review of all
5 geophysical and geological data related to the lease.

6 GOV. ANDERSON: I move it.

7 MR. CHAMPION: Second. Is there any question or
8 comment on any item? (No response) Stand approved.

9 5 -- City of Long Beach. Approvals required
10 pursuant to Chapter 29, 1956, First Extraordinary Session:

11 Project (a) Raise 29 Oil Wells in Town Lot Area
12 (2nd Phase) Estimated subproject expenditures from January
13 30, 1964 to termination of \$493,000, with \$310,590 (63%)
14 estimated as subsidence costs.

15 The next is informative only. What is the pleasure
16 of the Commission on the item?

17 GOV. ANDERSON: I move item (a).

18 MR. CHAMPION: Second. Is there any question?
19 (No response) Stands approved.

20 (b) Informative only: The Harbor Department has
21 submitted a "Development Plan, Parcel L" for study and re-
22 view, to provide for immediate development to allow exploita-
23 tion of recoverable petroleum reserves in a 25-to-30-year
24 period. Total drilling costs estimated at \$7,030,000; total
25 production facility costs at \$1,371,000. The plan proposes
26 peripheral water injection with a line-drive to maintain full

1 reservoir pressure. Gross value of the 42 million barrels
2 of recoverable oil estimated to be nearly \$88 million; total
3 costs, nearly \$47 million, with net income probably in ex-
4 cess of \$41 million. Staff opinion is that plan is in accord-
5 ance with good petroleum engineering practice and should
6 result in maximum recovery of hydrocarbons.

7 MR. HORTIG: Mr. Chairman, I should like to point
8 out to the Commission the reason for presentation of this
9 item inasmuch as this is the first time that the corollary
10 agreements in connection with the recently approved and is-
11 sued extension agreements in the Long Beach Harbor Department
12 have taken effect; and those corollary agreements provided
13 for advance information, time for review and comment on such
14 operations in connection with the contract that became effect-
15 ive March 20th of this year.

16 This is the first of such operation developments
17 and we felt we should report it to the Commission both as to
18 the significant additional amount of money that will accrue
19 to the City and State by reason of this agreement, and the
20 fact that the corollary agreements are working.

21 MR. CHAMPION: This \$41 million is in addition to
22 the estimates of revenue -- previous estimates of revenue to
23 be realized from the new contract?

24 MR. HORTIG: Yes, sir.

25 GOV. ANDERSON: I want to say that I think it is
26 good that we are going to have this review plan ahead of

1 time so we can know and anticipate -- which is a lot better
2 than in the past. The one thing that bothers me -- and I
3 assume the fault is mine; it may have been staff's -- as far
4 as I was concerned, I was not aware of this addition to the
5 original Long Beach field and until I saw this it never came
6 to my mind that we were adding this number of acres.

7 MR. HORTIG: About two thousand; but there had been
8 no production on this area.

9 GOV. ANDERSON: Apparently it was secret informa-
10 tion at the time it was added, because they could not have
11 come in with this detailed report without information that
12 there was this additional amount.

13 MR. HORTIG: It was anticipated there would be an
14 addition, but the program and the economics of the thing are
15 of current development and the total numbers were added up
16 for the first time as of February 25th of this year; and it
17 was, therefore, not until that time that Staff, on review
18 of this program, and even the Long Beach Harbor Department
19 staff, really realized the significance of this.

20 GOV. ANDERSON: That last part I question. I
21 wonder if it was an unknown quantity to everyone up to Feb-
22 ruary. It would look to me that the amount of information
23 in this report would indicate that this has been going on for
24 some time and they had this information.

25 MR. HORTIG: That is correct.

26 GOV. ANDERSON: Your staff may not have had it ...

1 MR. HORTIG: One point -- It had not been trans-
2 lated into dollars, Governor Anderson. In all our previous
3 estimates to the Commission and in connection with the dis-
4 cussion of the proposed extension contract, it was pointed
5 out that by addition of this area in the tabulation it was
6 estimated that an additional forty million barrels of oil
7 would be produced, but we had not calculated at that time
8 what the potential net profit was.

9 GOV. ANDERSON: My memory is that it was going to
10 be a little larger field; it was going to coincide, was going
11 to clear up the boundary lines, and so on. But I never
12 realized the size of this field, and I know if I had I would
13 have asked why wouldn't this be considered in the new field
14 instead of bringing this way out in the Bay, which brings it
15 into our new field.

16 MR. HORTIG: No, sir. It was westerly to the new
17 field, which is why it was a logical addition to the pre-
18 viously developed L.B.O.D. parcels. As a matter of fact,
19 five years ago we made a very definite attempt to try to
20 get this very area leased or developed, and could not get
21 anybody to develop it because of various economic conditions;
22 and it was realized the only way to get it into a development
23 was at the time when a new contract with a new 25-year period
24 would be available -- which was why it was added to this
25 area.

26 GOV. ANDERSON: If there is any criticism, it is

1 due to me. I did not know at the time it was this big a
2 field and it shocked me when it was explained to me.

3 MR. HORTIG: As I say, our prior calendar report
4 did contain in the statistics the estimated additional pro-
5 duction of forty million barrels. More detail was not avail-
6 able.

7 MR. CHAMPION: Let me ask this question in the
8 light of that: Is this forty million in addition to the
9 estimates with which we have been working on the East
10 Wilmington contract?

11 GOV. ANDERSON: Using our old program, this is all
12 in addition.

13 MR. HORTIG: At the moment, I believe

14 MR. CHAMPION: If it is, it would all come to the
15 State.

16 MR. HORTIG: It will all come to the State because
17 of the ceilings imposed under the present schedule -- an
18 equivalent amount will come to the State.

19 MR. CHAMPION: Yes. I think that ought to be
20 checked out, to be sure that the figures that were being used
21 in the discussions before the legislative committees and the
22 Commission - - as to whether the forty million is already
23 included in those estimates or whether it is not.

24 MR. HORTIG: We can do that.

25 MR. CHAMPION: You think it is not?

26 MR. HORTIG: I am not positive; but either way,

1 under the present proposed schedule for distribution, the
2 State is protected.

3 MR. CHAMPION: That's correct. Anything further?

4 GOV. ANDERSON: No.

5 MR. CHAMPION: Item 6 -- Land sales and exchanges.
6 All items here presented have been reviewed by all State
7 agencies having a land acquisition program, and unless other-
8 wise indicated, no interest has been reported by those
9 agencies in the lands proposed for sale or exchange.

10 (a) Sale of Vacant State School and Lieu Lands:

11 (1) J. Stanley Johnson -- Appraised value \$10,400;
12 bid \$10,400.

13 (2) State of California, Public Works Board --
14 Appraised value \$22,586.55, bid \$22,586.55.

15 (3) Kelso V. B. Young -- Appraised value \$17,893.58;
16 bid \$17,893.58.

17 MR. HORTIG: Mr. Chairman, if we may have a moment,
18 we do have a protestant in the audience with respect to one
19 of our items. No, I see we are not there yet. Please proceed.

20 MR. CHAMPION: What is the pleasure of the Board
21 on Item 6(a)?

22 GOV. ANDERSON: I move it.

23 MR. CHAMPION: Second. Any question? (No
24 response.) Stand approved.

25 (b) Selection and Sale of Vacant Federal Land:

26 (1) John R. Chase, Jr. -- Appraised value \$14,960;
bid \$14,960.

1 (2) Molybdenum Corporation -- Appraised value
2 \$10,900; bid \$10,900.

3 (3) Curtis M. Rocca -- Appraised value \$217,193.92;
4 bid \$217,193.92.

5 MR. HORTIG: Mr. Chairman, with respect to the
6 application of Mr. Curtis M. Rocca which you just read,
7 there are indicated on page 37 of your agenda the legal
8 descriptions of the five parcels that are included, and on
9 page 38 a statement that all State agencies, as well as
10 city and county governments and school districts, have re-
11 cently been circularized under the Commission's newly adopted
12 policy, and that the only indication of interest was expressed
13 by Humboldt State College, that request being that two of the
14 parcels be withheld from sale for the maximum two-year period.
15 This request was subsequently waived. However, the Lieuten-
16 ant Governor received the following telegram this morning --
17 addressed to Lt. Governor Glenn Anderson, State Capitol,
18 Sacramento, California:

19 "RESPECTFULLY REQUEST STATE LANDS COMMISSION TO
20 WITHHOLD SALE OF PARCELS LISTED IN OUR COMMUNICATION
21 DATED 4-7 STOP RECONSIDERATION INDICATES FUTURE
22 COLLEGE DEVELOPMENT MAY NEED THESE PARCELS.

23 C. H. SEIMENS, PRES. HUMBOLDT STATE
24 COLLEGE "

25 The parcels referred to appear on Calendar Page 37,
26 identified as Parcels Number 1 and Number 3; and, therefore,

1 it is recommended that the Commission resolution for approval
2 for sale this morning exclude these parcels and put Parcels
3 1 and 3 on the hold list for the benefit of Humboldt State
4 College again.

5 MR. CHAMPION: Well, let me ask two questions.
6 First, do you know whether or not this affects Mr. Rocca's
7 plans? He is buying five parcels. With two gone, does he
8 still wish to proceed with the other three independently?

9 MR. HORTIG: The prior discussions, prior to the
10 waiver by Humboldt State College, were to the effect that it
11 was desired that the transaction proceed, even with the with-
12 holding of the two parcels. Additionally, none of the par-
13 cels listed here are contiguous lands. They are scattered
14 over considerable territory.

15 MR. CHAMPION: I see. Is there any concern here
16 about time, as far as Mr. Rocca is concerned?

17 MR. HORTIG: There certainly must be, in the sense
18 that the original application for the acquisition of these
19 lands from the Federal Government which is just now being
20 consummated was filed in 1954 -- it is ten years old.

21 MR. CHAMPION: That is pretty speedy in this busi-
22 ness. Well, I gather, then, if we should amend this, take
23 out Parcels 1 and 3 until we can ascertain this other situa-
24 tion more closely, that this poses no problems.

25 MR. HORTIG: No, sir.

26 MR. CHAMPION: Then this would be the way for the

1 Board to act -- to amend that to exclude 1 and 3?

2 MR. HORTIG: Yes, sir.

3 MR. CHAMPION: And this does not mean a negative
4 action on 1 and 3. It simply means we want to work this out
5 with Humboldt State.

6 MR. HORTIG: Yes, sir; or, alternatively, a waiver
7 or rewaiver.

8 MR. CHAMPION: I think we ought to have that re-
9 ported to us factually, with regard to Humboldt State Col-
10 lege's decision.

11 GOV. ANDERSON: I'll move, then, that the sale of
12 (b) be approved, with the exception that we withhold 1 and
13 3 -- the description of Parcels 1 and 3 to be withheld from
14 the sale for Humboldt State College.

15 MR. CHAMPION: Second. Any questions? (No
16 response) That will be the order.

17 (c) Reject application of George D. La Moree to
18 purchase 618.52 acres vacant State School land in San
19 Bernardino County; direct return of all deposits to the
20 applicant except the \$5 filing fee; hold said land for two-
21 year period from April 3, 1964, for purchase or lease by the
22 California Department of Fish and Game.

23 MR. HORTIG: Mr. Chairman, Mrs. La Moree is in the
24 audience this morning and wishes to report to the Commission
25 with respect to this recommendation.

26 MR. CHAMPION: Would you care to come forward,

1 Mrs. La Moree.

2 MRS. LA MOREE: I thought perhaps I should call to
3 your attention a few of the dates that seem significant to us
4 in this action. We filed our application in 1960, in Febru-
5 ary, and on May 24, 1960 this new policy was adopted by the
6 Board, whereby the agencies of the government were to be
7 circularized. We were not informed of this until a year
8 and a half later. However, during this period subsequent to
9 1960, our re-appraisal was continued and we paid the final
10 re-appraisal fees, so that the total of all the money to be
11 deposited was in to your office; the publications were made
12 in the newspaper, and so forth.

13 In 1962, the Fish and Game Commission applied to
14 have the sale held up, but there was no followup on it. Then
15 in October 1962 we heard that there was no further word from
16 the Fish and Game Commission. In December 1963 the City of
17 Victorville also put in a claim, but they vacated this; and
18 finally now in April 1964 the Fish and Game Commission is
19 again heard from.

20 We went into this in good faith as private citizens
21 and when we started there was no such rule or order whatso-
22 ever, and we feel that a strict application of this and just
23 under the caprice of a Commission, which has previously been
24 given an opportunity twice to save or reserve this land and
25 then just at this particular date steps in again - - we feel
26 that it's retroactive and capricious and not in the interest

1 of fair government for this to be allowed.

2 MR. CHAMPION: What is the character of the property?

3 MRS. LA MOREE: It is hilly, desert land; and we
4 were a little resentful of the statement of the Fish and Game
5 Commission, who said they didn't think it would be a good
6 idea to have unplanned desert cabins there -- which we felt
7 was not an accurate or correct statement of what we had in
8 mind -- when they really did not know what was our plan.

9 We felt it is a situation which has been delayed.
10 There have been other cases of action being held up and that
11 action of deferral being rescinded. In 1961 that took place.
12 We have felt that it has been too long and that the State
13 Fish and Game Commission has been given so many opportunities --
14 I do not know when they were circularized, but Victorville in
15 December 1963 defaulted, so I assume it was in the same
16 period.

17 GOV. ANDERSON: How far is this from Victorville?

18 MRS. LA MOREE: I do not know.

19 GOV. ANDERSON: Where is it?

20 MRS. LA MOREE: It is north of Lucerne Valley.

21 MR. CHAMPION: Is there a representative of the
22 Fish and Game Commission here? (No response)

23 MR. HORTIG: For the benefit of the Commission, the
24 staff problem with respect to this situation is a letter of
25 April 1, 1964, the current month, from the Director of the
26 Department of Fish and Game, which in part states, and I

1 quote:

2 "This parcel of land is within a 131,000-acre area
3 proposed for a wildlife management area and contains
4 key wildlife and public access value. The Ord
5 Mountain area is considered an exceptional wildlife
6 and conservation site that should be preserved in
7 public ownership. We feel that the above values are
8 more important than seasonal cabin sites. We feel
9 that too many scenic and important desert lands in
10 California have already been spoiled by this type of
11 unplanned development.

12 This letter is to inform you of our objections
13 to this sale and that the Department of Fish and Game
14 intends to purchase or lease the subject lands within
15 two years from the date of this letter."

16 MR. HORTIG: (continuing) Both Mr. Leach and Mr.
17 Robinson of Fish and Game are in the audience.

18 MR. ROBINSON: We are here on another matter and I
19 am unaware of this situation. I am out of San Francisco.
20 Mr. Leach is headquartered in Sacramento.

21 MR. CHAMPION: Do you have any knowledge of this,
22 Mr. Leach?

23 MR. LEACH: No, I didn't.

24 MR. CHAMPION: I don't think this is a matter we
25 should just consider automatically. I am quite curious
26 about the source of funding this operation within the next
28

1 two years. I think we have your statement, Mrs. La Moree.
2 Could we put this matter over and have the representative of
3 the Department of Fish and Game appear?

4 GOV. ANDERSON: Couldn't we have it next meeting,
5 when it is down south, where it is a little easier for Mrs.
6 LaMoree?

7 MR. CHAMPION: When is our next meeting in Los
8 Angeles?

9 MR. HORTIG: The May meeting, latter part of May,
10 is tentatively scheduled for Los Angeles.

11 MR. CHAMPION: Is that satisfactory to you? We
12 would like to go into this and our policy is, of course,
13 that on public lands public use has priority.

14 MRS. L. MOREE: May I just say Mr. Smith and Mr.
15 Nathan in their office have been most helpful and have ex-
16 plained it in every possible way. It is such a complicated
17 situation. We feel it was started under one law. This
18 policy has been in effect four years and through all this
19 period the Department of Fish and Game showed only a glimmer
20 of interest, and now we feel it is capricious.

21 MR. CHAMPION: I think that is the question before
22 us, whether it is capricious or not. Thank you for appearing.

23 GOV. ANDERSON: Do you want a motion?

24 MR. CHAMPION: I think, if there is no objection,
25 there simply will be the order that the item will be put
26 over to the next meeting.

1 MRS. LA MOREE: Will I be notified of this meeting?

2 MR. HORTIG: Yes, you will.

3 MR. CHAMPION: 7 -- Oil and Gas Leases: (a)

4 Approval of adjustments in royalty payments by Brazos Oil and
5 Gas Company of \$11,269.16 overpayment under Gas Lease P.R.C.
6 714.1 and deficit of \$9,259.99 under Gas Lease P.R.C. 729.1,
7 River Island Gas Field, Sacramento and San Joaquin counties;
8 authorization to refund to Brazos of net difference of
9 \$2,009.17; and authorization for Executive Officer to present
10 claim for refund to Board of Control with Commission's recom-
11 mendation that such claim be allowed.

12 (b) Authorization for Executive Officer to execute
13 a Compensatory Royalty Agreement with the Dow Chemical Com-
14 pany, Producing Properties, Inc., and the Howard Corporation,
15 covering lands in the River Island Area, Sacramento and San
16 Joaquin counties, so as to protect the State's interest in a
17 portion of the bed of the Mokelumne River; lessees to pay
18 standard royalties for gas and gas products produced.

19 (c) Authorization for issuance of an Oil and Gas
20 Lease (Parcel 17), 3,420 acres in Orange County to Socony
21 Mobil Oil Company, Inc., as highest bidder, with cash-bonus
22 payment of \$1,250,285.

23 (d) Authorization for issuance of an Oil and Gas
24 Lease (Parcel 18A), 3,324 acres in Santa Barbara County, to
25 Richfield Oil Corporation, Socony Mobil Oil Company, Inc. as
26 highest bidders, with cash-bonus payment of \$352,111.15.

1 (e) Authorization for Executive Officer to offer
2 5,553 acres tide and submerged lands in Santa Barbara County,
3 designated as W.O. 5110 (Parcel 21), for oil and gas lease.

4 MR. CHAMPION: (continuing) And we have a
5 Supplemental Item (f) -- Proposed oil and gas lease, 5,540
6 acres more or less of tide and submerged lands, Ventura
7 County, W.O. 5130 -- Parcel 22.

8 GOV. ANDERSON: I move it.

9 MR. CHAMPION: Second. Any question or comment?
10 (No response) Stand approved.

11 8 -- Approval of Maps: (a) Authorization for
12 Executive Officer to approve and have recorded Sheets 1
13 through 10 of 10 of plats entitled "Plat of the Ordinary High
14 Water Mark Along the Shore of the Santa Barbara Channel,
15 Vicinity of Port Hueneme, Ventura County, California," dated
16 February and March 1959.

17 GOV. ANDERSON: I so move.

18 MR. CHAMPION: Second. Stand approved.

19 9 -- Confirmation of transactions consummated by
20 the Executive Officer pursuant to authority confirmed by the
21 Commission at its meeting on October 5, 1959.

22 MR. HORTIG: These, again, Mr. Chairman, are
23 extensions of time for geological and geophysical survey
24 permits previously authorized by resolution of the Lands
25 Commission.

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

1 GOV. ANDERSON: I move approval.

2 MR. CHAMPION: Second. Stand confirmed.

3 Item 10 -- Report of status of major litigation.

4 MR. HORTIG: On which there are no substantive
5 changes from the last report to the Commission, in that none
6 of the actions listed have either gone to trial or been
7 decided.

8 MR. CHAMPION: The members of the Commission have
9 also been supplied with a list of legislative items now be-
10 fore the '64 First Extraordinary Session.

11 MR. HORTIG: Listing all the bills which are of
12 potential interest to the Lands Commission in terms of either
13 assigning new responsibilities, amending existing responsi-
14 bilities, or granting tide and submerged lands with certain
15 residuary requirements as to review and approval by the Lands
16 Commission if this legislation is adopted.

17 MR. CHAMPION: Well, rather than go through this
18 whole list, is there anything in which you have any special
19 interest?

20 GOV. ANDERSON: Not that, no. I want to make a
21 little statement on this other when you get around to it.

22 MR. CHAMPION: I think this is probably the time
23 for discussion of legislation.

24 GOV. ANDERSON: I recognize that our Executive
25 Officer is going to testify before a Senate Committee, I
26 believe, as soon as he leaves here and I want at least to

1 get some of my views to you. I know we have been reading in
2 the paper that you have been making statements and I have
3 been making statements, and it identifies your remarks as
4 those of the Chairman of the Lands Commission, Mr. Chairman.
5 I realize that your presentation has been as Director of
6 Finance, not as the Chairman of the Lands Commission

7 MR. CHAMPION: I was very careful about that.

8 GOV. ANDERSON: ... but the news items have always
9 identified you as Chairman of the Lands Commission. So I
10 wanted to bring up a couple points so Mr. Hortig would know
11 our position. I realize it was kind of fuzzy at the time, I
12 think, at the last Commission meeting.

13 We proposed amendments to A.B. 132 and we all
14 looked at it, and we all sort of agreed that this was what
15 we would have Mr. Hortig present for us. Among those sugges-
16 tions we proposed one that would remove the settlement of the
17 boundary dispute from the legislation and leave it to the
18 courts. Now I see nothing of this or hear nothing of this
19 in this discussion, and I still feel this is a wise position.

20 Second, Long Beach would present a master plan for
21 the development of the shoreline area, that this be approved
22 by the Commission; that the expenditures from the trust be
23 made from this master plan, which could be amended from time
24 to time. Again, there is no mention of this master plan in
25 this proposed legislation. This is all part of this six-
26 point thing we talked about.

1 Third, and the one I am most concerned about, is
2 that we had concern about monopoly, and since our last meet-
3 ing the legislation as proposed has an 80% interest; and our
4 proposal has been breaking this up into undivided interests
5 with the largest one not greater than 45%. You may recall
6 at that time the 45% was itself subject to a 12½% selloff.

7 In addition, the legislation calls for inclusion
8 of the Alamitos State Park lands, which I don't think we
9 talked about, and this increases the size of the field
10 approximately 10%.

11 If Frank is speaking for the Commission, I feel
12 this proposed legislation would not best serve the interests
13 of the public. It would exclude all other companies but the
14 winning syndicate and subject us to the risk of a monopoly
15 situation in the California oil industry and with even the
16 12½% selloff we would not be protected; the small companies
17 would not be protected. It would be better to provide a way
18 so that all companies would have a share in the oil.

19 I want to make it clear, so there isn't any ques-
20 tion about Long Beach and the State receiving money -- I am
21 in full favor of the State receiving the largest share of the
22 tidelands oil revenues; I think this is a good compromise.
23 I am also in favor of Long Beach receiving all the money it
24 needs for its shoreline development. This isn't the thing
25 that bothers me. The one that bothers me is the question of
26 monopoly. I am not going to press it, but I still think the

1 Commission should take a position against Senate Bill 60.

2 I think Mr. Hortig should take a good close look
3 at the Farr bill, which provides for a thirty per cent inter-
4 est to any one company.

5 I realize, Frank, it is difficult for you to repre-
6 sent a Commission where I have one view and the second one
7 has another, and the third one isn't here and hasn't actually
8 given it; but I didn't want you to represent anything for the
9 Commission that didn't go along with what we decided a month
10 ago.

11 MR. CHAMPION: I would like to make some comments
12 first and then have you respond, Mr. Hortig. In the first
13 place, I was largely the author of those proposals and at the
14 time suggested that these ought to provide a basis of a com-
15 promise. These were amendments in the absence of agreement
16 and, as I specifically stated at the time, these should be
17 the basis of further compromise in order to achieve some sort
18 of agreement in this matter.

19 I want to make clear, however, that I very speci-
20 fically said in each of my appearances and discussions on
21 this that I was acting in my capacity as Director of Finance;
22 that I did not represent the State Lands Commission in these
23 discussions; that I thought it was impossible for the Commis-
24 sion itself as a party to conduct complicated negotiation of
25 this kind. I have discussed the matter of the compromise in
26 terms of principle with the third member of the Commission

1 and he was not in disagreement with the principles, although
2 he was otherwise engaged and could not go into further details;
3 and I certainly would not want to commit him without his being
4 familiar with all of the details.

5 First of all, I call attention to the fact that this,
6 frankly, was an effort to achieve compromise for both parties.
7 That means no one party has all his own way or no compromise
8 is achieved. However, I would think each of the things in the
9 compromise can be defended on its own merits, although in
10 some cases would not go as far as we would like.

11 On the subject of the boundary litigation, I dis-
12 covered in further conversation that our case was not, to
13 put it bluntly, very good. I suppose since I do not represent
14 us legally I should not so represent our case - but that we
15 had been engaged in a long, a difficult bit of litigation that
16 was getting nobody anywhere very slowly and that there was no
17 easy or early solution in sight; that a good deal of very
18 high class legal talent was being tied up.

19 Second, on the subject of the master plan, it was
20 felt that we did explore this extensively and it was not the
21 concern of Long Beach as to the application of this - - I mean
22 they were not concerned about the principle. As we worked at
23 it to get to the mechanical details, we found there was not a
24 practical solution as to how things could be done and done in
25 time for this session. Therefore, it was felt it was better
26 to go to a fairly precise outlining, an attempt to write into

1 the legislation a guideline to the Commission, and the Commis-
2 sion has more than ministerial function.

3 The most important question I think the Lieutenant
4 Governor raised, and quite properly, has to do with protec-
5 tion against monopoly. There are really several elements in-
6 volved, but I wish to point out first -- and I'd like to have
7 Mr. Hortig comment if this is not true -- the legislation
8 permits the Lands Commission to lease the Alamitos lands
9 independently, and depending on the decision of the Lands
10 Commission it need not be part of the 100%. You need not
11 expand it; that is at the option of the Lands Commission to
12 expand it. That is my understanding of the legislation. If
13 that is not correct, I would certainly want to be sure that
14 it is our intent to achieve that.

15 MR. HORTIG: This is the current intent of S.B. 60.

16 GOV. ANDERSON: How was that written in there?

17 MR. HORTIG: I am reaching for it right now, sir.

18 GOV. ANDERSON: The intent or permission....

19 MR. CHAMPION: The intent was to give the Lands
20 Commission full authority to decide which way it wanted to
21 lease.

22 GOV. ANDERSON: Without any direction?

23 MR. CHAMPION: Without any instruction.

24 MR. HORTIG: This is all carried currently, Gover-
25 nor, in Section 3(g), page 8, of the Senate Bill 60 as amended
26 April 21, 1964; and I have the specific language starting on

1 line 25:

2 "The State Lands Commission, on behalf of the
3 State of California, may negotiate and enter into the
4 unit, unit operating or cooperative agreement for the
5 development of oil, gas and other hydrocarbons, which
6 agreement includes all or part of the Alamitos Beach
7 Park Lands."

8 GOV. ANDERSON: The direction is the other way.

9 MR. HORTIG: "The State Lands Commission, on behalf
10 of the State of California, may negotiate"

11 GOV. ANDERSON: That is kind of a directive that
12 we do that.

13 MR. CHAMPION: It certainly shouldn't be and if
14 there is any question about it, our position is clear; if
15 there is any question about it, the language should be re-
16 worded to carry with it the intent that we should be without
17 direction.

18 MR. HORTIG: This was to give the Commission the
19 alternative.

20 GOV. ANDERSON: I realize that, but often after
21 things become law it kind of gives the implication the Lands
22 Commission may do something, but the direction is pointed out
23 and they will say, "This is what the Legislature meant at the
24 time."

25 MR. HORTIG: In view of the fact, also, "in carrying
26 out the purposes of this section, the State Lands Commission,

1 "on behalf of the State, may exercise any or all powers speci-
2 fied" in the cited section of the Public Resources Code --
3 the power is in the Lands Commission to lease these lands
4 under the Public Resources Code under their discretion.

5 MR. CHAMPION: The other part of it, in the undivided
6 interest problem -- there is no 80% share because the 80%
7 share requires that a selloff of 12½% come out of that; and
8 there is further provided in the legislation that no one group
9 or company or beneficial interest of that company shall have
10 more than 67½%, so there can be no control beyond 67½%.

11 Now, 67½% is roughly two-thirds of the oil. It is
12 estimated that at peak production, as I recall, this will be
13 23% of California production. That would mean that 67½%
14 would be roughly 15% of California production at that time.
15 This does not by any means constitute monopoly control of
16 California production.

17 Further, if it were to be lower, if the interest
18 were to be lower, we had substantial testimony -- this is a
19 subject of argument; everybody is entitled to his own specula-
20 tion on this -- but my conclusion on this and that of those
21 who participated in the negotiation, all of whom were inter-
22 ested in getting maximum revenue, is that it would cost the
23 State to lower it -- it might cost the State two or three
24 million dollars out of the whole field. We saw no reason to
25 lower this at the expense of the State of California to sub-
26 sidize other operators.

1 Let me point out we have these shares available for
2 public bidding: 67½%, 12½%, 10%, (the 12½% being the sell-off),
3 5%, 2½%, 1½%, 1%. In addition, we have the further option
4 of the rather substantial amount in the State Park land area,
5 which would be another 10% on top -- or somewhere in that
6 area. We looked at the whole structure of the industry.
7 There is available in that structure, for bid by any company
8 of any size, a share which they could and would bid on if
9 they were interested in oil from this field. There is no one
10 in the industry who should not be able to get a requisite por-
11 tion if he is the highest bidder.

12 This was the compromise. Here it was not comprom-
13 ise with Long Beach; it was an attempt to compromise between
14 the two basic interests of the State -- one, preventing mon-
15 poly, and, two, achieving the highest possible income; and we
16 had adequate testimony from experts on oil company operations
17 that there would be substantial loss to the State if we went
18 further to the extent of breaking up the undivided interests
19 in this field.

20 I think that concludes my statement, except that I
21 think in any area as complicated as this one -- and we have
22 been through it for a year, year and a half -- there is
23 plenty of room for an honest difference of opinion. As a
24 matter of fact, that is what we mostly have had -- honest
25 difference of opinion -- and the difficulty was in trying to
26 arrive at something in which enough people could agree to

1 provide a basis for the State and Long Beach to begin develop-
2 ment of this great resource of the State. I felt this was a
3 fair and reasonable settlement.

4 However, I did not, in making these compromises, in
5 any way commit the State Lands Commission to full support of
6 this. I understood the Lieutenant Governor did not agree with
7 some of the provisions, but I was in the position of being a
8 part of the negotiations. And that is my statement.

9 GOV. ANDERSON: Thank you. I'd like to ask Frank --
10 On this 80%, of which the 12½% selloff, if it is sold, will be
11 deducted, the people that took this 12½% would not be able to
12 derive the benefit of the depletion allowance on production?

13 MR. HORTIG: No, sir.

14 GOV. ANDERSON: How much would this mean they would
15 have to pay more in percentage for that oil than the company
16 who gets the initial bid? In other words, my query and my
17 wonder is: Why would anybody want to buy that particular
18 12½% if they weren't able to take the depletion allowance and
19 the other things that the major bidder would get?

20 MR. HORTIG: Because this 12½% would represent a
21 source of crude to potential bidders, subject to competitive
22 bidding, on exactly the same scale as they are buying the rest
23 of their refinery input. In other words, of the seventeen
24 operating -- and it may be sixteen today -- classified as
25 independent refiners in California, probably 95% of the oil
26 purchased by those refiners is purchased from other oil

1 companies by procedures identical to the procedures that
2 would be applicable to this 12½% selloff. The independent
3 refiners probably have not more than something in the order
4 of five percent of owned production which they put into their
5 own refinery, so they have to purchase the large bulk of
6 their refinery needs.

7 GOV. ANDERSON: Is it your feeling that under the
8 provisions of this, the 12½% would be readily sold?

9 MR. HORTIG: If the refiners want to bid on it.

10 GOV. ANDERSON: I think the disadvantage to them is
11 such they wouldn't bid. In some of our leases don't we have
12 a selloff provision?

13 MR. HORTIG: Yes, sir.

14 GOV. ANDERSON: How many of those are being taken
15 advantage of today?

16 MR. HORTIG: None.

17 GOV. ANDERSON: Why? The same thing is true.

18 MR. HORTIG: No, sir -- primarily because they are
19 available at scattered locations.

20 GOV. ANDERSON: Some of them are pretty big.

21 MR. HORTIG: But no one has come in and offered a
22 price equal to or received by the State. Therefore, the State
23 could not sell the oil at a discount.

24 GOV. ANDERSON: Wouldn't that lead you to believe
25 that 12½% would fall in the same category?

26 MR. HORTIG: No, sir; because of this accumulation

1 in one location in the principal petroleum marketing area in
2 California, this is a reservoir that could be offered and
3 bid for. As a matter of fact, in respect to other Long Beach
4 lands, not tidelands, quite recently five hundred barrels of
5 production per day were offered for bid and, as I recall,
6 there were eight bidders for it.

7 Now, the point is -- there is no guarantee that
8 there will be customers for this 12½% but if there are
9 customers....

10 GOV. ANDERSON: If we are going to keep cutting
11 down the 80% to 67½% there have to be customers for it. I
12 realize what you say about the size of the field. However,
13 the area isn't so big and transportation isn't difficult
14 today, but none of the people are taking advantage of that
15 selloff today.

16 MR. HORTIG: None of the independent refiners are
17 taking advantage of this. We have two 12½ percents here,
18 Governor -- the 12½% that comes off the top of the 80%
19 interest and drops it to 67½....

20 GOV. ANDERSON: That's the one that won't have the
21 depletion allowance.

22 MR. HORTIG: That's right; and also the 12½% that
23 comes off the top. In other words, we are talking about the
24 12½% that keeps any one operator from keeping more than 67½%.
25 If this condition exists in the bidding, and irrespective
26 of if this exists in the bidding, there is a different 12½%

1 that drops the interest down in the event there is any one
2 party interest that controls more than 67½%. In other words,
3 the maximum that could be made available for sale would be
4 67½%.....

5 MR. CHAMPION: Let me ask you this: Because of the
6 interest, to put it mildly, that has been expressed in this
7 field and its potential for the growing California market,
8 do you not anticipate that whichever bidders are unsuccessful
9 will want to share to the extent of providing a market for
10 this oil?

11 MR. HORTIG: Almost definitely.

12 GOV. ANDERSON: Would you restate that so we all
13 hear?

14 MR. HORTIG: Almost definitely.

15 GOV. ANDERSON: What?

16 MR. HORTIG: That the unsuccessful bidders for any
17 of the percentage interests, of the undivided interests that
18 would be put out to lease, all the people who are less than
19 the high bidders, would still in the majority of instances
20 almost definitely be in the market for acquisition of the
21 selloff oil.

22 GOV. ANDERSON: In other words, there is no ques-
23 tion in your mind that the 12½% selloff will be readily taken?

24 MR. HORTIG: Periodically, that is correct.

25 GOV. ANDERSON: Well, whenever it's ready, it will
26 be readily taken?

1 MR. HORTIG: That's right.

2 GOV. ANDERSON: So, I mean there is no question
3 that this will be sold off, so it will actually be 67½% and
4 not 80%? I mean I am depending on you as the expert in our
5 Commission.

6 MR. HORTIG: Yes, sir.

7 MR. CHAMPION: As I understand this, and being away
8 from this for a week the details get a little fuzzy, there is
9 a precise limit on any one operator. He cannot retain bene-
10 ficial control of more than 67½% of the oil. He must get rid
11 of it.

12 MR. HORTIG: That is absolute in the bill.

13 GOV. ANDERSON: How is that written out? Does that
14 apply to subsidiaries and things of that nature?

15 MR. CHAMPION: It is written in terms of beneficial
16 interests.

17 MR. HORTIG: I am reading Section 3(f). The speci-
18 fic language states:

19 "The Contractors' agreement shall provide that in the
20 event any one person party to the contractors' agree-
21 ment, or any two or more such persons controlled by or
22 under common control of any one person, shall at any
23 time have, or acquire, the right to receive any percent-
24 age over and above 67½ percent of 100 percent of all oil
25 assigned or allocated to the lands to be developed, said
26 person or persons shall offer all oil in excess of said

1 "67½ percent for sale by competitive bidding."

2 GOV. ANDERSON: Shall sell to whom?

3 MR. HORTIG: Competitive bidders.

4 GOV. ANDERSON: In other words, they can turn around
5 and one of their subsidiaries can buy it back?

6 MR. HORTIG: No, sir; for the simple reason it has
7 been approved and has been considered in the contract before
8 the Lands Commission -- which, of course, is not a part of
9 the statute -- that as to the pricing base any participant
10 in these undivided interests would have to account for all
11 oil at the highest price paid for any portion of oil or any
12 amount of oil he buys in Signal Hill Field, Huntington Field,
13 and so forth; therefore, any portion of the syndicate having
14 the operating contract, unless there were highly unusual
15 economic conditions, could not afford to bid more for a por-
16 tion of the oil because the moment he did he would raise his
17 own price.

18 MR. CHAMPION: He would have to pay the State more
19 money.

20 MR. HORTIG: That's right. It would be a stair-
21 step deal. His latest offer wouldn't be the highest and he
22 would have to keep on going right through the ceiling --
23 which, obviously, he isn't going to do.

24 MR. CHAMPION: Is there anything further? Would
25 you like to add anything generally?

26 MR. HORTIG: Just one thing: I am happy to be

1 able to assure Governor Anderson that in connection with
2 testimony and representations both before the Senate Govern-
3 mental Efficiency Committee, Senate Resources Committee, and
4 also the Senate Tidelands Committee, I have been particularly
5 careful to point out precisely the sequence of events -- that
6 the proposed amendments considered by the Lands Commission at
7 the March meeting, which I was directed to present in connec-
8 tion with any negotiation settlement, had been deviated from;
9 or that the concepts in S.B. 60 as it is in its present nego-
10 tiated form were in such variance from the last approval by
11 the State Lands Commission that I could not report that the
12 Lands Commission as such had either taken a position on S.B.
13 60 nor had authorized me to testify on behalf of the Lands
14 Commission with respect to S.B. 60; and I have represented
15 only that such testimony has been on behalf of the Director
16 of Finance, after appointment to the negotiating team that
17 worked with the City of Long Beach pursuant to a request from
18 the joint Tidelands Committee.

19 GOV. ANDERSON: I recognize you have done this and
20 I recognize what Hale has done; but I also recognize that
21 when it gets into the newspaper it always identifies you as
22 Executive Officer of the Lands Commission, and Hale as
23 Chairman of the Lands Commission. I know you are not going
24 to change this, either; but I want to make it very clear, so
25 there isn't any question, that I do not agree with all the
26 things being compromised in this proposal. That's why I
brought it up.

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MR. CHAMPION: Is there anything further?

(No response) Any further items of legislation to be discussed?

GOV. ANDERSON: Did we get the Supplemental?

MR. CHAMPION: Yes, we handled that with the others.

Confirmation of date, time and place of next meeting --
Thursday, May 28th, 10 a.m. in Los Angeles.

GOV. ANDERSON: Yes.

MEETING ADJOURNED 11:20 a.m.

CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing forty-one pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION at Sacramento, California, on April 29, 1964.

Dated: Los Angeles, May 11, 1964.

Louise H. Lillico