

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

TRANSCRIPT OF  
MEETING  
OF

STATE LANDS COMMISSION  
SACRAMENTO, CALIFORNIA

May 27, 1965

\*\*\*\*\*

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Glenn M. Anderson, Lieutenant Governor, Chairman

Hon. Alan Cranston, Controller

Hon. Hale Champion, Director of Finance, not present,  
represented by Mr. John P. Sheehan, Chief  
Deputy Director of Finance

Mr. F. J. Hortig, Executive Officer

Mr. Alan Sieroty, Executive Secretary to  
Lieutenant Governor Anderson

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay L. Shavelson, Assistant Attorney General

Mr. Paul M. Joseph, Deputy Attorney General

APPEARANCE:

Mr. S. A. Young, District Engineer, Standard Oil  
Company, Santa Barbara

11

I N D E X

(In accordance with Calendarly Summary)

<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>
1 Call to order			
2 Confirmation of minutes of January 28, February 25, and March 2, 1965			1
3 PERMITS, EASEMENTS, RIGHTS-OF- WAY, NO FEE:			
(a) County of Lassen	33	1	1
(b) Pacific Tel. & Tel.	8	2	1
(c) Dept. of Parks & Recrea- tion, Div. Beaches & Parks	6	3	1
(d) Reclamation Board	34	5	1
(e) Dept. of Water Resources	22	7	2
(f) U.S. Dept of Army, Corps of Engineers	24	8	2
4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE			
(a) Crown Simpson Pulp Co.	23	9	9
(b) R. W. Kelsey	3	11	9
(c) R. W. Kelsey	4	12	9
(d) R.W. & Alice M. Kelsey	5	13	9
(e) George & Hazel Dutton	25	14	9
(f) U.S. Dept. of Agriculture, Forest Service	32	15	10
(g) American Smelting & Ref. Co.	30	17	10
(h) Clear Lake Power Company	18	19	10
(i) Don C. Hibbert	1	23	12

continued

I N D E X

(In accordance with Calendar Summary)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>
	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE continued			
(j) S. I. Corporation	29	24	12
(k) Humble Oil & Refining Co. and Texaco Inc.	10	28	12
(l) Phillips Petroleum Co., et al	2	30	15
(m) Richfield Oil Corp.	35	32	21
(n) Standard Oil Co. of Calif. Western Operations, Inc. and Shell Oil Company	7	33	21
(o) Texaco Inc.	9	34	21
(p) Standard Oil Co. of Calif.	20	36	21
(q) Union Oil Company	31	37	31
5 CITY OF LONG BEACH			
(a) (1) Berths 252-233, Pier Y	14	39	32
(2) Pier A	15	41	32
6 LAND SALES AND EXCHANGES			
(a) 80 acres Yolo County to County of Yolo	19	43	33
(b) Warren Gilzean application	16	44	33
7 MINERAL LEASES			
(a) Pittsburgh Plate Glass Co.	27	49	33
(b) Alamitos Beach Park Lands	37	52	33
(c) 810 acres San Joaquin County	28	54	34

continued

I N D E X

(In accordance with Calendar Summary)

<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>
<b>B ADMINISTRATION</b>			
(a) Transfer 0.081 acre Marin County from Dept. Public works to State Lands Comm.	17	55	36
(b) Service agreement San Diego Unified Port Dist.	11	56	36
(c) Interagency agreement with Dept. of Gen. Services, Off. of Architecture & Construc.	12	57	36
(d) Service agreement with City of Oceanside	13	58	36
<b>9 BOUNDARY AGREEMENT</b>			
(a) No. 59 with Valerie Silacci	21	59	37
<b>10 CONFIRMATION TRANSACTIONS OF EXECUTIVE OFFICER</b>	36	63	37
Wm. & Edith Daley Pauley Petroleum Inc.			
<b>11 INFORMATIVE: Status litigation</b>	26	64	18, 37
<b>12 NEXT MEETING</b>			45
<u>SUPPLEMENTAL:</u>			
<b>INFORMATIVE - Legislation</b>	38	66	39

~~\*\*\*\*\*~~

I N D E X

(In accordance with item numbers)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

ITEM ON PAGE OF  
CALENDAR CALENDAR TRANSCRIPT

ITEM ON PAGE OF  
CALENDAR CALENDAR TRANSCRIPT

1 23 12  
2 30 15  
3 11 9  
4 12 9  
5 13 9  
6 3 1  
7 35 21  
8 2 1  
9 34 21  
10 28 12  
11 56 36  
12 37 36  
13 58 36  
14 39 32  
15 41 32  
16 44 33  
17 55 36  
18 19 10  
19 43 33  
20 36 21  
21 59 37  
22 7 2

23 9 9  
24 8 2  
25 14 9  
26 64 18, 37  
27 49 33  
28 54 34  
29 24 12  
30 17 10  
31 37 31  
32 15 10  
33 1 1  
34 5 1  
35 32 21  
36 63 37  
37 52 33

SUPPLEMENTAL:

38 66 39

NEXT MEETING 45

1 MAY 27, 1965 - 10:13 A.M.

2  
3 GOV. ANDERSON: The State Lands Commission will  
4 come to order.

5 First item will be the confirmation of minutes of  
6 the meetings of January 28, February 25, and March 2, 1965.

7 MR. GRANSTON: Move approval.

8 GOV. ANDERSON: Moved \*\*\*

9 MR. SHEEHAN: Second.

10 GOV. ANDERSON: \*\*\* and seconded; carried unanimously.

11 Item 3 is permits, easements, and rights-of-way to  
12 be granted to public and other agencies at no fee, pursuant  
13 to statutes.

14 Applicant (a) is County of Lassen -- 49-year life-  
15 of-structure permit, 6.89 acres submerged lands of Eagle Lake,  
16 Lassen County (for construction of rock breakwater to protect  
17 a public recreational area).

18 Applicant (b) is the Pacific Telephone and Telegraph  
19 Company -- Approval of telephone and telegraph lines over un-  
20 granted submerged lands of Clear Lake, Lake County.

21 Applicant (c) is the Department of Parks & Recrea-  
22 tion, Division of Beaches and Parks -- Permit to dredge  
23 approximately 500 cubic yards of material from 0.11 acre tide  
24 and submerged lands underlying Ayala Cove, Angel Island,  
25 Marin County.

26 Applicant (d) is the Reclamation Board -- 49-year

1 permit to occupy 10.37 acres swamp and overflowed land of  
2 Hogback Island in Steamboat Slough, Sacramento County.

3 Applicant (e) is Department of Water Resources  
4 Permit to extract approximately 2,810 cubic yards material  
5 from bed of Sacramento River, Sacramento County.

6 Applicant (f) is U. S. Department of the Army,  
7 Corps of Engineers -- One-year permit for drilling of a test  
8 hole in 1,629-acre area of Corte Madera Creek, Marin County  
9 (for purpose of examining subsurface earth structure).

10 MR. CRANSTON: I move approval of those items.

11 MR. SHEEHAN: I'll second.

12 GOV. ANDERSON: Moved and seconded, carried unani-  
13 mously.

14 I think at this time I want to ask Frank a question,  
15 not on one of the items specifically, but it reminded me of  
16 this and that is (b), the approval of telephone and telegraph  
17 lines over ungranted submerged lands of Clear Lake. I wasn't  
18 thinking of that specifically, but I wanted to ask the status  
19 of the request we had made of you to do what we could to en-  
20 courage companies to change their policies as much as we  
21 could, to put their lines underground or under water, rather  
22 than these overhanging lines.

23 One of the things that brought this to my mind was  
24 the announcement in the press that Bill Bennett of our Cali-  
25 fornia Public Utilities Commission was back in Washington,  
26 trying to get national legislation, national policy of the

1 national Public Utilities Commission moving in this direction;  
2 and he was urging a tax incentive be offered, to be utilized  
3 to do the same thing we have been talking about here. He  
4 made several points, and I haven't had a chance to actually  
5 study his tax incentive proposal, but I wanted to go on record  
6 that I am pleased to find that this is being approached on a  
7 national scale; and that what we are doing and what can be  
8 done in other parts of the country toward getting this policy  
9 developed is something that I want to try to encourage.

10 I am going into the tax incentive policy he suggests  
11 and possibly will have a later statement on that.

12 That was the reason I wanted to ask you the ques-  
13 tion, Frank, as to where we are on our own policy, our own  
14 program.

15 MR. HORTIG: Mr. Chairman, as you will recall, there  
16 was a very brief staff report at the last meeting about the  
17 undertaking of a study which would serve as a basis for re-  
18 porting to the Lands Commission on programs that might be sup-  
19 ported by the Lands Commission, as well as establishing future  
20 policy of the Lands Commission in connection with approval of  
21 easements for purposes of installation, particularly, of  
22 electrical transmission lines.

23 An inventory of the status of the acquisition of  
24 this information that is being compiled and is being used as  
25 a basis for this report probably would be most revealing to  
26 the Commission today.



1 First -- and these are not necessarily in the order  
 2 in which they were started in this analysis by the staff, but  
 3 as I have the records before me -- the Federal Power Commis-  
 4 sion issued an order on May 10, 1965, entitled "Order Estab-  
 5 lishing National Power Survey Industry Advisory Committee on  
 6 Underground Transmission" for the purpose of investigating  
 7 the state of the art of underground transmission, both by  
 8 alternate and direct current, and that they wish prepared a  
 9 report thereon;

10 "Such report shall be prepared and submitted as  
 11 soon as practicable and if possible no later than September 1,  
 12 1965."

13 It was the intent of staff to include as much of  
 14 the material as was appropriate that was offered in these  
 15 hearings, which includes such presentations as those Commis-  
 16 sioner Bennett of the Public Utilities Commission made in  
 17 Washington, without necessarily waiting until September 1,  
 18 1965 -- unless it is indicated that particularly valuable  
 19 data, as well as conclusions, will be included in this Federal  
 20 report that should be considered by the Lands Commission in  
 21 connection with the total staff report on this matter.

22 GOV. ANDERSON: This is the report on the Federal  
 23 Power Commission that we can expect some time in September or  
 24 October of this year?

25 MR. HORTIG: This is the request, as announced in  
 26 the order establishing this committee to make this study for

1 the Federal Power Commission. They are under a directive to  
2 submit a report as soon as practicable and, if possible, no  
3 later than September 1, 1965; and we are following the proceed-  
4 ings of the hearings. The first meeting of the series for  
5 this particular study was conducted last week.

6 Additionally, in view of the Commission's directive  
7 to undertake this study, we have the problem of interests of  
8 other State agencies and, particularly, the State agencies  
9 who have the combination problem, as the State Lands Commis-  
10 sion has, of furnishing both the underlying lands to support  
11 the transmission line as well as the relationship of this  
12 transmission line to their land operations.

13 The expressions and recommendations of the follow-  
14 ing agencies have all been requested by letter: The Public  
15 Utilities Commission of the State of California; the Wildlife  
16 Conservation Board; the Department of Parks and Recreation;  
17 and the U. S. Bureau of Reclamation -- who represent all of  
18 the governmental agencies in California who have the majority  
19 of the parallel problems with respect to this matter.

20 Additionally, the matter of considerations, bases  
21 for recommending replacement of utilities underground, was an  
22 agenda subject on the National Beautification Conference held  
23 at the beginning of this week in Washington, D.C. We are  
24 aware that as a minimum Senator E'berg, Senator Fart, and  
25 Director of Conservation Nelson attended this conference; and  
26 we will be in contact with their offices for copies of the

1 proceedings, particularly with respect to this element of  
2 underground utility installation as it was discussed at that  
3 conference.

4 GOV. ANDERSON: You have also contacted some of  
5 the power companies for their views on that, because we  
6 want to get all sides of it?

7 MR. HORTIG: I am glad you have reminded me.  
8 Northern and Southern California public utility companies  
9 have been contacted. Data has been received from some and  
10 data is expected from others. So we will have the private  
11 utility viewpoint as well as differences because of geo-  
12 graphic location, both north and south.

13 MR. SHEEHAN: Hasn't there been a bill in the  
14 Legislature on this?

15 MR. HORTIG: There was a bill that these considera-  
16 tions be taken up by the Public Utilities Commission. This  
17 bill has gone to interim committee, I believe.

18 GOV. ANDERSON: Along this line as to what we can  
19 or can't do, it was brought to my attention the other day  
20 that there are even many things we do that in a sense work  
21 against it. I am thinking now of the appraisals.

22 When one of these companies applies to us for a  
23 permit to go across or to acquire right-of-way through our  
24 land and we tell them how much we are going to charge them,  
25 it is my understanding that we charge them less to go up in  
26 the air than we do to go underground; is that right?

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

MR. HORTIG: No, sir.

GOV. ANDERSON: I was under that impression that when they get a right-of-way through the ground and put it underground, we have an appraisal fee that costs them more than if we allow them to go up in the air. If I am wrong, Alan, isn't this what we were told?

MR. SIERTY: Maybe I can clarify this. It is my understanding, Mr. Chairman and Mr. Hortig, in discussing this with Mr. Picard, doing the staff study we are involved in on the question of pricing, that our appraisals are based upon a theory that we take only half value of the surface rights when we determine the price that we are going to charge for going over land; whereas when we go underground, we take full value of the land into consideration.

This is my understanding.

MR. HORTIG: I see the problem now, Governor, and I have the answer which I believe goes to the fact that nominally the desired amount of area involved with respect to underground installation and desired buffer strips on both sides, costs more because of the greater area proposed to be occupied in the buffer strips and insulation being furnished by the space between the State lands.

The overhead works to accomplish this same result are more economical to install transmission lines overhead.

However, particularly in line with some incentives of tax benefits which you reported Commissioner Bennett

1 recommended, in respect to power lines and with respect to  
 2 rental rates for all easements, this is a new subject for  
 3 study -- so there will not be a premium that wasn't designed  
 4 to be a premium to go overhead. It is purely a matter of  
 5 economics as to the amount of area.

6 GOV. ANDERSON: I am fully aware of the study that  
 7 is being made and I want to say something about that later;  
 8 but I wanted to raise that at this time because even though  
 9 we, as a Commission, have tried to encourage ways of getting  
 10 these lines underground, we are in our right-of-way appraisal  
 11 policies working against it. I wanted to bring it up, so  
 12 when the study comes to us they would take into consideration  
 13 the fact that maybe there was a little different thinking to-  
 14 day, maybe there was a little different economic condition,  
 15 than when these policies were made.

16 I believe, in talking to the people, they say,  
 17 "This is the policy and the policy was made years ago."

18 MR. HORTIG: That is true.

19 GOV. ANDERSON: Today, with the growth of our State,  
 20 the growth of residents and the growth of everything in our  
 21 State, up above might have values that we did not have a  
 22 few years ago. So I wanted to point this out, because these  
 23 are things we can do in California.

24 Going on with the calendar -- I hope you will ex-  
 25 cuse me on that, but one thing I want to do is to get our  
 26 State and public thinking as much as we can along this line;

1 and every so often, I probably will interrupt our agenda on  
2 this subject.

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

6 (a) is Crown Simpson Pulp Company -- 15-year lease  
7 of two parcels of tide and submerged land in Humboldt Bay  
8 near City of Eureka, Humboldt County, totaling 7.1 acres;  
9 annual rental \$2,144.88,

10 (b) is R. W. Kelsey -- Amendment of Grazing and  
11 Agricultural Lease P.R.C. 3006.2, Inyo County, extending term  
12 thereof from original five-year period to maximum term of ten  
13 years, effective 5/23/63.

14 (c) is R. W. Kelsey -- Amendment of Grazing and  
15 Agricultural Lease P.R.C. 3046.2, Inyo County, extending term  
16 thereof from original five-year period to maximum term of ten  
17 years, effective 11/1/63.

18 (d) is R. W. and Alice M. Kelsey -- Amendment of  
19 Grazing and Agricultural Lease P.R.C. 3111.2, Inyo County, ex-  
20 tending term thereof from original five-year period to maxi-  
21 mum term of ten years, effective 3/26/64.

22 (e) is George and Hazel Dutton -- Acceptance of  
23 quitclaim deeds from George Ruggles and William Carson, d.b.a.  
24 Grimes Boat Landing, dated 2/24/65, and from Davis S. Hart,  
25 dated 3/23/65; and issuance of 11-year lease to George and  
26 Hazel Dutton for 1.03 acres tide and submerged lands, Sacramento

1 River, Colusa County, for floating boat dock; annual rental  
2 \$150.

3 (f) is U. S. Department of Agriculture, Forest  
4 Service -- 49-year easement over 6.98 acres school lands,  
5 Plumas County (for construction of a road). Total consideration  
6 \$1,650. Road shall not be exclusive to either grantee or  
7 grantor.

8 (g) is American Smelting and Refining Company --  
9 Two-year prospecting permit, for minerals other than oil and  
10 gas, 18.31 acres vacant school land, San Bernardino County.

11 (h) is Clear Lake Power Company -- Two-year prospect-  
12 ing permit for geothermal energy, 394 acres of Clear Lake,  
13 Lake County.

14 MR. CRANSTON: I want to ask about that one. What  
15 effect, if any, would there be on recreational uses?

16 MR. HORTIG: If I may refer to the calendar item,  
17 Mr. Cranston, appearing on pages 19 to 22, I believe we have  
18 already reported a review therein; and that the Department of  
19 Fish and Game and Water Pollution Control Board have each re-  
20 quested that certain provisions be included in the prospect-  
21 ing permit form to insure protection of marine life, as well  
22 as water clarity; and the Division of Beaches and Parks after  
23 review has submitted a letter of nonobjection based on the  
24 fact that there will be, in the manner of the operations con-  
25 ducted, nothing detrimental to recreational activities in  
26 Clear Lake.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

MR. CRANSTON: No problems with boats?

MR. HORTIG: Well, the structure, the drilling platform, whenever it is in place will be clearly marked, buoyed, lighted at night. It is contemplated, and Exhibit A to the proposed permit provides, that any wells drilled into the submerged lands of Clear Lake shall be directionally drilled from approved upland drill sites. This is the initial operating method to which the permittee will be restricted during the initial prospecting. If a lease is offered for geothermal steam production, then the lease terms will be again reviewed by this Commission.

MR. CRANSTON: What will be the appearance aspect of it?

MR. HORTIG: It looks like an oil well. Basically, standard oil well equipment is used to drill holes into the ground.

MR. CRANSTON: How many of these might be going on at once?

MR. HORTIG: At the present time under this permit, one.

MR. CRANSTON: Have adjacent cities and counties been apprised?

MR. HORTIG: And the legislators who have the Clear Lake district in the Assembly and Senate, yes.

MR. CRANSTON: And there have been no questions raised by local government?



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

MR. HORTIG: No, sir. I might also point out --  
in the adjoining County of Sonoma, of course, the development  
of geothermal energy as it is being used by the Pacific Gas  
and Electric Company in the Geyser area is considered an  
economic asset to the county; and Lake County also considers  
it an economic asset.

MR. CRANSTON: There has been no local resident who  
protested this?

MR. HORTIG: No, sir.

MR. CRANSTON: Has there been any advice to local  
residents?

MR. HORTIG: There have been local press reports.

MR. CRANSTON: There have been? Describing what  
would be done?

MR. HORTIG: Very brief in general, yes sir.

GOV. ANDERSON: Applicant (1) is Don C. Hibbert --  
Assignment to M. A. Lindner of Prospecting Permit P.R.C.  
3100.2, San Bernardino County.

(1) is S. I. Corporation -- Two-year prospecting  
permit for geothermal energy, for mineral waters, and for all  
minerals other than oil and gas, 600 acres submerged land  
underlying Clear Lake, Lake County.

MR. HORTIG: Same comments, Mr. Cranston -- upland  
drillsites.

GOV. ANDERSON: (k) Humble Oil & Refining Company and  
Texaco Inc. -- Deferral of drilling requirements, Oil & Gas

1 Lease P.R.C. 186.1, Belmont Offshore Field, Orange County,  
2 through 12/31/65.

3 Frank, maybe before I read on, this might be a  
4 time for you to identify why we are deferring some of these.

5 MR. HORTIG: The first one you have just read, Mr.  
6 Chad, with respect to Lease P.R.C. 186, is a proposed  
7 deferment on a basis that is different than all of the others.  
8 It is predicated on the recommendation that no additional  
9 drilling or modification of operating procedures be under-  
10 taken at the present time under this lease -- where there are  
11 upwards of fifty wells producing and paying royalties to the  
12 State every month.

13 The reason for deferring any new development pro-  
14 grams is in order to permit the Lands Commission to proceed  
15 with a basis for development of the area immediately to the  
16 west of this existing lease, which in turn will be in the  
17 Long Beach Unit which is being developed under the Field  
18 Operator Contract approved by the State Lands Commission.

19 Even though all of the operations on the three  
20 parcels I have enumerated might not be conducted under one  
21 unit agreement, they at least would be conducted under one  
22 unit and one cooperative agreement, so the total operations  
23 and the total reservoir would be conducted under compatible  
24 operation -- so you don't have water put into one place and  
25 the oil being forced into the next property, and so there is  
26 maximum effective development of the oil from the entire

1 reservoir which underlies these separate parcels, which are  
2 under three separate administrative jurisdictions.

3 GOV. ANDERSON: This is the one where they are not  
4 unitized, but they do have their own repressurization program  
5 and operation.

6 MR. HORTIG: And it is impossible to predict what  
7 modification should be made until the operation on the west  
8 is under way and we know, under the controls that the Lands  
9 Commission has under this lease and because of the desires of  
10 the lessee to cooperate with the maximum effective development  
11 program, that their operations would be modified and imple-  
12 mented however it may be necessary in order to be compatible  
13 with the new unit operations adjoining immediately to the  
14 west.

15 Under these circumstances, it is recommended that  
16 we permit them to simply produce, as they have been doing  
17 since 1947 and that modifications and the elimination of the  
18 necessary other further deferments will come as of the time  
19 that the complete operating plans are available, which can be  
20 as early as by the end of this year, because there is a later  
21 agenda item under which we are recommending that the Commis-  
22 sion authorize a development plan for the intervening area of  
23 State-owned lands that is unleased, undeveloped, and lies be-  
24 tween the subject lease and the Long Beach Unit which is al-  
25 ready under development plans.

26 GOV. ANDERSON: While you are explaining this same

1 thing, you might as well take up the ones, say, at Santa  
2 Barbara, where we have this new court ruling -- why we are  
3 deferring them.

4 The next one is Applicant (1) Phillips Petroleum  
5 Company, et al. -- Deferral of drilling requirements, Oil &  
6 Gas Lease P.R.C. 2207.1, Santa Barbara County, through 12/21/65.  
7 (To obtain needed additional reservoir performance data.)

8 I understand your explanation applies to the other  
9 two, at least, in the Santa Barbara County area.

10 MR. HORTIG: Basically, items (1), (n), (n), and (o)  
11 all have the same problem of necessary technological evaluation  
12 of exploration data derived from sources other than the drill-  
13 ing of the wells that have been drilled on the respective  
14 leases, in order to determine whether it would be economic to  
15 drill additional wells.

16 Additionally, on the seaward side of these leases  
17 there is a strip of varying width, the exact width of which  
18 we will not know until the Supreme Court has issued its  
19 decree in connection with the decision rendered a week ago  
20 last Monday on the offshore tide and submerged lands.

21 GOV. ANDERSON: It would probably average about a  
22 hundred yards, wouldn't it?

23 MR. HORTIG: In some cases, and half a mile in  
24 others -- depending upon where this strip is offshore from  
25 leases that were issued with an outer limit of three statute  
26 miles rather than three geographic miles.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

GOV. ANDERSON: I think this should be pointed out that the Supreme Court did set back California, but the limit was to one hundred yards further out.

MR. HORTIG: No. They gave up the hundred-yard strip probably as a result of the Supreme Court decision, but in some areas we had not leased out to, or the lease in its earlier form had not leased out to three geographic miles from the high water mark.

The difference between a statute mile and a geographic mile is the difference between 5,280 and 6,020; but the Supreme Court decision, where there are no permanent harbor works along the shore, does state that the setting of the State's outer limit is measured from a baseline which is the average of all the lower tides rather than the average of all the high tides.

GOV. ANDERSON: Which is what we used before.

MR. HORTIG: This is correct. Now, in round numbers, our best estimate is that the difference between measuring low water and lower low water, which is really the difference, the width that the Supreme Court has added to the jurisdiction of California which we did not feel was included, is a long, narrow strip along the entire coast of California containing probably a thousand acres in the aggregate; and conversely-- and still in context as to your statement as to a loss, the State of California did not lose any of the basic tide and submerged lands.

1 GOV. ANDERSON: We actually gained on this.

2 MR. HORTIG: Gained modestly.

3 GOV. ANDERSON: Do you feel it is to the State's  
4 benefit to defer these, or to the oil companies' benefit? Why  
5 are we deferring them in this connection?

6 MR. HORTIG: First, the deferments are objectively  
7 necessary in order to permit the lessee to make a real econ-  
8 omic evaluation of what should be an effective additional  
9 operating program, and they need this time in order to make  
10 these technical studies to determine whether it is worthwhile  
11 to go out and drill additional wells because the probabilities  
12 are that these will be productive.

13 GOV. ANDERSON: This deferment is for this reason,  
14 rather than because of the decision of the Supreme Court?

15 MR. HORTIG: Absolutely; but a corollary issue prob-  
16 ably is the fact that it would probably not be advantageous to  
17 consider suggestion of quitclaiming undeveloped areas in  
18 these existing leases at this time because we do not really  
19 have the full picture of what would become re-leasable by  
20 that process until the decree of the Supreme Court is issued.

21 Therefore, it is recommended that there be a defer-  
22 ment and there not be a forcing of any quitclaims at this time  
23 because we can't make an objective measurement of what the  
24 effect of forcing a quitclaim at this time would be.

25 GOV. ANDERSON: When would the Supreme Court decree  
26 be issued?

1 MR. HORTIG: Might I suggest, Mr. Chairman, that  
 2 this might be best included in the report of the decision and  
 3 the prognosis of the decree and the effect of the decree by  
 4 Assistant Attorney General Shavelson, who labored long and  
 5 hard in this battle.

6 GOV. ANDERSON: Mr. Shavelson?

7 MR. SHAVELSON: Would you like that right now, Mr.  
 8 Chairman?

9 Of course, we were disappointed. The most extensive  
 10 area in controversy between the State and the United States  
 11 involved the question as to whether or not the outer boundary  
 12 of the State for purposes of the Submerged Lands Act would go  
 13 around the outermost islands or, in the alternative, in  
 14 Southern California, across Santa Monica and San Pedro bays,  
 15 and also in middle California across Monterey Bay.

16 The basic position of California in the law suit was  
 17 that it was the intention of Congress to uphold California's  
 18 historical expectations as to what constituted its boundaries  
 19 and to grant the lands within those historic boundaries.

20 The Court denied that contention and stated that it  
 21 was the foreign policy of the United States and the inter-  
 22 national law which were determined and adopted as the most  
 23 convenient and most definite criterion. The 1958 Geneva  
 24 Convention, which has been ratified by the United States and  
 25 as of September last year became fully effective since it was  
 26 ratified by the required number of countries, was applying the

1 principles of the Geneva Conference to the California Coast.

2 Many of our major claims were denied; but, on the  
3 other hand, the State is in a better position than it was  
4 under the Special Master's Report that was rendered in 1955.

5 First of all, Monterey Bay is established as inland  
6 waters of the State, so that the State will win the subsoil  
7 out three geographical miles drawn from a line headland to  
8 headland in front of Monterey Bay.

9 Secondly, the Supreme Court upheld California's  
10 contention that artificial structures, even those erected  
11 subsequent to the effective date of the Submerged Lands Act,  
12 will have the effect of extending - - when I say "structures,"  
13 I mean harbor works - - will have the effect of extending  
14 California's margin out an equivalent distance.

15 An example of that, I understand, is Half Moon Bay,  
16 where the harbor works go out as far as a half mile, and those  
17 were erected about 1960. This will extend the State's bound-  
18 aries an equivalent distance in that area, and there are  
19 probably other harbors on the California coastline that will  
20 advance.

21 GOV. ANDERSON: Is this something that will advance  
22 our boundary in the future, or is this on anything prior to  
23 this?

24 MR. SHAVELSON: Literally, under the Court's decree,  
25 any structure at any time will extend the line out. However,  
26 the Court dropped a broad hint, stating that the United States



1 could protect itself by conditions. We have to get a permit  
2 from the Corps of Engineers, so we have to expect that before  
3 granting that permission they will require that we agree this  
4 will not go beyond the boundaries set by the decree.

5 So for practical purposes, then, it is affecting  
6 structures from 1953 to the present date and that will affect  
7 some things in certain areas.

8 Finally, as Frank pointed out, we previously in  
9 our contentions felt that rather than using the line of  
10 ordinary low water, we use the line of lower low water. As  
11 of the actual shoreline, that is going to add, as Mr. Nottig  
12 pointed out, a thousand acres up and down the coast.

13 However, a great portion of our lines are going to  
14 be from offlying rocks -- an area that is emergent at lower  
15 low tide. Now, the difference between low tide and lower  
16 low tide can be expected, in some instances, to turn rocks  
17 into lower low tide elevations, which wouldn't be so were  
18 the ordinary low water mark criterion adopted; and since  
19 these rocks are, say, a quarter mile off the coast, that  
20 would have the effect of extending the line out a quarter  
21 mile in those areas.

22 We haven't made a minute examination in those  
23 areas, but I am told this will be significant in rather sub-  
24 stantial areas.

25 GOV. ANDERSON: Any further comments?

26 MR. SHAVELSON: The Court has ordered the parties

1 to submit a proposed decree by September first. The Court  
2 did not reconvene until October of this year. It will ad-  
3 journ about the first of June and won't reconvene until  
4 October of this year, so it wouldn't have an opportunity to  
5 adopt, reject, or reconcile differences between California  
6 and the United States until some period after October first  
7 of this year.

8 GOV. ANDERSON: I see most of these deferments are  
9 to December of this year. Would that be an appropriate time?

10 MR. SHAVELSON: I would say so, yes, Mr. Chairman.

11 GOV. ANDERSON: Applicant (m) Richfield Oil Corpora-  
12 tion -- Deferment of drilling requirements, Oil & Gas Lease  
13 P.R.C. 1466.1, Ventura County, through 12/31/65.

14 Applicant (n) Standard Oil Company of California,  
15 Western Operations, Inc., and Shell Oil Company -- Deferment  
16 of drilling requirements, Oil and Gas Lease P.R.C. 2894.1,  
17 Santa Barbara County, through 12/27/65.

18 Applicant (o) is Texaco Inc. -- Deferment of  
19 drilling requirements, Oil & Gas Lease P.R.C. 2206.1, Santa  
20 Barbara County, through 12/13/65.

21 Applicant (p) is Standard Oil Company of Cali-  
22 fornia -- Approval of location and construction of a pylon-  
23 supported "Outrigger Type" drilling and production platform  
24 approximately 16,150 feet offshore and southerly of Sand  
25 Point, Santa Barbara County, within area of Oil & Gas Lease  
26 P.R.C. 3150.1.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

I am not going to object to this, but just raise a point of what we are doing along this line. This is another structure we are putting out in the harbor that will be one hundred eighty-five feet high; the general platform is some fifty feet high, and the drilling structure will go another hundred thirty-two feet; and if things are successful, and we expect them to be, they will be up there for probably five years.

I just want to raise this because I know some time back we hoped there could be more progress toward the ocean floor drilling method that we have witnessed and viewed at different times, rather than putting these up all along the harbor.

I had asked the question as to what this outrigger type was. Frank, you might explain it -- rather than there being an outrigger from the top that I assumed when I saw the explanation, it is a pylon-supported structure?

MR. HORTIG: This is correct. The essential difference is one of engineering design; and rather than extending the bearing over four pylons, considerable bearing and fastening to the ocean floor is accomplished by two large legs and cantilevering the deck out, and supporting the four corners by two smaller pylons -- hence, the outrigger terminology, which, however, is not to be confused with an outrigger as, for example, an outrigger canoe. There is no additional occupancy of the surface of the water or

1 projections above the surface of the water; and, as a matter  
2 of fact, without a close approach and a detailed study of  
3 some of these platforms, it is extremely difficult to tell,  
4 because of the protective coatings and the guards they put  
5 around the leg sections, whether it is one of the standard  
6 original platforms or pylon-supported platforms.

7 This is a technical distinction, without a real  
8 visual difference added to the structure.

9 GOV. ANDERSON: About two years ago -- time escapes  
10 me, but it seems to me at least two years ago, we had a motion  
11 picture shown to us of this new method of ocean floor drilling  
12 and how this was going to probably be the way it was going to  
13 be done in the future; at least, this is the impression many  
14 of us drew. What has happened to this?

15 MR. NORTIG: We have in California more ocean-floor-  
16 completed tideland oil wells than anywhere else in the world  
17 as a result of the continued application of this technology.  
18 However \*\*\*

19 GOV. ANDERSON: How many do we have?

20 MR. NORTIG: Thirty.

21 GOV. ANDERSON: We have thirty of them -- thirty  
22 ocean floor operations?

23 MR. NORTIG: That is correct -- individual wells  
24 that have been completed on the ocean floor, sitting their  
25 silently, without pollution, and sending oil to the shore  
26 without anything projecting over the surface of the water.

1           However, as was originally announced and, apparently,  
2 was not sufficiently stressed at the time of the presentation  
3 of the film, this was a new technology that was being added  
4 and could be used in areas where it was both economically and  
5 mechanically feasible and desirable to do so; but that it  
6 would not be the panacea and the absolute replacement for  
7 all other types of operation, and that the optimum type of  
8 operation of maximum benefit both to the State and the leasee  
9 would still depend on engineering selection of the best  
10 engineering, economic method of accomplishing the operation.

11           In some borderline, deep waters -- and particularly  
12 some rough bottom locations, in areas where it is necessary  
13 to provide for considerable holding and storage capacity be-  
14 cause of the extreme distances for transmittal of the oil to  
15 shore, the economic cost still calculates out that there is  
16 a place where the platform operation, in the sense of an  
17 engineering operation, is the best type of operation and, in  
18 some instances, the only type of operation because of the  
19 type of the oil.

20           GOV. ANDERSON: -- Just for example, the one we are  
21 approving here -- why could not the ocean floor type be used  
22 instead of this? Is it the fact they want to go in so many  
23 times from one platform?

24           MR. HORTIG: No, sir. I think that ocean floor con-  
25 plations located at this distance offshore and over the dis-  
26 tances that will be explored and would be developed from the

1 platform would be many times more costly in operation than  
2 can be conducted from this platform.

3 Incidentally, I have a note: "How come platform  
4 is more than three miles out, for example 16,150 feet?"  
5 It is this distance offshore and is not in a harbor area,  
6 incidentally, as the Supreme Court has told us, but is out  
7 in the open seas in the Santa Barbara channel. This is  
8 apparently on one of those leases that are out three geo-  
9 graphic or nautical miles, which is 18,060 feet; so it is  
10 more than three statute miles offshore, but still within  
11 the lease, Mr. Cranston.

12 MR. CRANSTON: I think it might be appropriate if  
13 we had reports from the oil companies as to the considera-  
14 tions involved and why they seek a platform instead of  
15 underwater, so we would know what figures are involved.

16 MR. HORTIG: If the Chairman pleases, a repre-  
17 sentative of the applicant is in the audience and I think  
18 he just volunteered.

19 GOV. ANDERSON: Is this Standard Oil? First, I  
20 want to make it clear I am personally not objecting to this  
21 particular application, but I am concerned in why we are con-  
22 tinually having these things before us and I don't see the  
23 other type. Maybe I am not aware of them because I don't  
24 see a derrick there. How many companies are using the ocean  
25 floor? Are most of the companies doing some of this?

26 MR. HORTIG: Well, there are principally four

1 companies who are lessees who have used both -- who are using  
2 both ocean floor completions and platforms.

3 GOV. ANDERSON: And how far out and how deep do  
4 they put the ocean floor wells?

5 MR. HORTIG: The problem is there is no usual  
6 practice. We have some in water that I recall now is two  
7 hundred forty-five feet deep, which is deeper water than we  
8 have erected any platform in; but the bottom condition, the  
9 gravity of the oil, and the adjoining lease facilities which  
10 had platforms which could also be used as an operating base  
11 for assisting these, all played a part in the selection --  
12 again, as I say, of the optimum technologic method.

13 GOV. ANDERSON: I had drawn from that movie that  
14 the ocean floor wells would go out where it would be deeper  
15 and where this type -- the island type, the pylon type --  
16 wouldn't be able to reach down because of the depth. If  
17 this is the case, maybe what we are doing is actually having  
18 the platforms out there for servicing, for docking purposes,  
19 more than for well purposes.

20 MR. HORTIG: No, they will be out there for servic-  
21 ing in the sense of being a production platform, but I think  
22 both for platforms used for the drilling or for drilling addi-  
23 tional wells, as well as servicing other ocean floor comple-  
24 tion wells.

25 While the forecast was in general, again, correct --  
26 and this was subject to the usual problems of generalization --

1 that in some instances it would be possible to develop an  
2 area by ocean floor completion only because the water was too  
3 deep for platforms that had been designed at that time, plat-  
4 form design and development has kept pace with and it is  
5 feasible today to put platforms in much deeper water than it  
6 was at the time that you saw the film with respect to the  
7 first of the so-called invisible oil wells placed offshore.

8 I would like to comment on your statement, Governor,  
9 that these ocean floor completion wells don't come before you,  
10 and say you are not aware of them because they are completely  
11 out of sight. They are a routine well operation where they  
12 are placed. These are approved by staff for placement and  
13 this is why we have accumulated thirty of them since that  
14 first one, of which you saw the film; but because of the Com-  
15 mission's interest and concern over the number and location  
16 of platforms, we have made it a practice to bring these  
17 individually to the Commission for individual scrutiny and  
18 approval, rather than what would normally be corollary prob-  
19 lems to be approved by staff.

20 GOV. ANDERSON: Are most of these in deep water?

21 MR. HORTIG: No, sir. They range in anything from  
22 forty feet to two hundred forty-five feet of water, but many  
23 of them are in areas where a platform is prohibited by the  
24 lease, that is, closer than one mile of shore. Even though  
25 it had a mechanical feasibility of going out into deeper  
26 water, they are not out in deeper water because they are



1 under the prohibition of not drilling wells within one mile  
2 from shore. If there were no lease limitations, economics  
3 would dictate that there be platforms there.

4 The county, in these instances, requested the  
5 Lands Commission to provide that wells not be drilled closer  
6 than one mile from shore and, therefore, the only way for  
7 them to complete wells is to go ocean floor. It does not  
8 give the State and the lessee optimum return.

9 GOV. ANDERSON: How much does it cost? Have you  
10 ever figured the percentage? Are we talking about a very  
11 small cost?

12 MR. HORTIG: Again, it is a difficult generaliza-  
13 tion because the conditions vary so widely; but for an  
14 equivalent number of wells, it could cost in the range of  
15 two to four times as much to do it with ocean floor comple-  
16 tions, and the four times may be conservative, as against  
17 platform or island type, where just the engineering economics,  
18 and other considerations aside, indicate the platform or  
19 island type would be the most economic way to do it. Then,  
20 replacing these with ocean floor completions, as I say, could  
21 raise the cost of both initial development, as well as con-  
22 tinuing operations, by many factors.

23 Do you wish to hear from Standard?

24 GOV. ANDERSON: I have no objection. Maybe I am  
25 pushing this too far.

26 MR. CRANSTON: No. I would be interested in

1 hearing him.

2 GOV. ANDERSON: The gentleman from Standard Oil,  
3 would you like to comment? -- not necessarily commenting on  
4 this item, because this item is not in question. My only  
5 question is why aren't we using the ocean floor completion  
6 method instead of platforms in many cases?

7 MR. YOUNG: Mr. Chairman, I am Stan Young, District  
8 Engineer for Standard Oil Company in Santa Barbara.

9 I really can't add too much to what Frank has said.  
10 He has covered it quite admirably, but I would like to point  
11 out one or two additional items, one of them being that a  
12 good number of completions are gas wells and the operational  
13 problems are less severe.

14 I believe you know what happens to low gravity  
15 crude, the viscose in it. This creates plugging problems in  
16 your pipelines and the operational problems are huge.

17 Perhaps you recall in the last year or two --  
18 Frank, you would remember the time better than I do -- but  
19 Texaco had a number of ocean floor completions up towards  
20 Point Conception and the diving bills that came up, the fact  
21 that they couldn't keep the wells on steady operation --  
22 which is, of course, an operation cost to the operator and  
23 the State -- resulted in putting in a production platform  
24 so they could service them.

25 Drilling the wells is one problem; and Frank's  
26 comments that they cost two to four or five times as much is

1 certainly ~~is~~ line with what I would say, too; and, also, in  
2 some cases maybe you couldn't drill the wells at all.

3 We are having extreme problems up in Oregon now  
4 because of weather conditions. It is somewhat easier off the  
5 coast of California, but not that much easier. It is a very  
6 difficult thing to do.

7 In the case of the parcel next to Summerland, we  
8 have this designed for two sixty-well platforms that will be  
9 able to go in and quickly develop this particular lease. It  
10 may be a little different in this case than we did in Summer-  
11 land, in that we are going to have two rigs operating from a  
12 single platform. We hope we can develop it that way and  
13 have the lease developed in the minimum time. Naturally, we  
14 are all anxious to get the oil as soon as possible.

15 GOV. ANDERSON: How many platforms do we have in  
16 that general vicinity?

17 MR. YOUNG: Five, but they range all the way from  
18 Point Conception past Santa Barbara.

19 MR. CRANSTON: Is progress being made toward making  
20 this more economical, or are difficulties being run into that  
21 indicate it can never become standard procedure?

22 MR. YOUNG: Progress is being made, certainly, all  
23 the time. However, we can't overlook the economics. This  
24 is certainly a large problem. We are drilling in deeper  
25 water now than we ever have before. Our Oceano wells are  
26 off the coast in almost six hundred feet of water. This

1 hasn't been done before. We are putting platforms in some-  
2 what deeper water than we have before.

3 If you can drill and produce oil from platforms,  
4 it is quite similar to drilling from land. Any time we can  
5 drill from land, we would certainly prefer to do that,  
6 practically; but you also have problems with floating barges  
7 and tides.

8 To answer your question, certainly we are making  
9 progress; but I don't think we will ever come to the point  
10 where every well can be done by ocean floor completion.

11 MR. CRANSTON: Do you have any idea of what it  
12 would cost?

13 MR. YOUNG: I honestly do not. We haven't made  
14 such an estimate. The drilling costs would be two or three  
15 times as much; the operating cost would be several-fold; but  
16 I really don't have precise figures.

17 GOV. ANDERSON: Thank you very much.

18 Applicant (q) is Union Oil Company of California --  
19 Amendment of Lease P.R.C. 3116.1 (covering submarine pipe-  
20 lines and power cable right-of-way easement, Santa Catalina  
21 Channel, Orange County), by deleting present legal descrip-  
22 tion and substituting therefor a description increasing the  
23 acreage from 19.88 to 22.72, and increasing the annual rental  
24 from \$658.03 to \$752.03. Establish March 26, 1964 as effec-  
25 tive date of amendment. Assess \$282 additional rental for  
26 period 3/26/64 to 3/25/66, and for the last year; set annual

1 rental at \$752.03 from 3/26/66.

2 MR. CRANSTON: I move approval of those items.

3 MR. SHEEHAN: Second.

4 GOV. ANDERSON: Moved and seconded, carried  
5 unanimously.

6 On this last one, Frank, this is a submarine pipe-  
7 line from a platform?

8 MR. HORTIG: Pipelines and necessary cable.

9 GOV. ANDERSON: Approximately two and one-half  
10 miles off?

11 MR. HORTIG: That is correct, sir -- an existing  
12 platform on a lease issued by the Lands Commission.

13 GOV. ANDERSON: Item 5 -- City of Long Beach  
14 approvals required pursuant to Chapter 29/56, First Extra-  
15 ordinary Session and Chapter 138/64, First Extraordinary  
16 Session:

17 (a) Determine that following expenditures by City  
18 of Long Beach from its share of tideland oil revenues are in  
19 accordance with the provisions of Chapter 138/64, First  
20 Extraordinary Session:

21 (1) Approximately \$4,464,000 for the construction  
22 of wharf and back-area development at Berths 232-233, Pier Y.

23 (2) is \$2,837,000 for construction of division dike  
24 realignment at Pier A.

25 MR. CRANSTON: Move approval.

26 MR. SHEEHAN: Second.

GOV. ANDERSON: Carried unanimously.

1                    GOV. ANDERSON: Item 6 -- Land Sales and Exchanges:  
2                    (a) is authorize sale of eighty acres school land  
3 in Yolo County, without advertising, to County of Yolo, at  
4 appraised cash price of \$1,396.

5                    (b) (1) Direct the Executive Officer to withdraw  
6 the appeal now pending before the Secretary of the Interior  
7 under State Exchange Application No. 74; (2) reject the  
8 application of Warren Gilzean, filed 8/15/55; (3) direct the  
9 Executive Officer to return all deposits made under said  
10 application except the \$5 filing fee.

11                    MR. CRANSTON: I move approval.

12                    GOV. ANDERSON: Moved and seconded.

13                    MR. HORTIG: I would have anticipated there might  
14 have been a presentation with respect to item (b).

15                    GOV. ANDERSON: Is Mr. Gilzean or anyone repre-  
16 senting Mr. Warren Gilzean in the audience? (No response).  
17 Moved and seconded, carried unanimously.

18                    Item 7 -- Mineral Leases: (a) Authorize Executive  
19 Officer to issue a mineral extraction lease to Pittsburgh  
20 Plate Glass Company on 91.11 acres sovereign lands in Owens  
21 Lake, Inyo County, at royalty rate of \$0.50 per ton or two  
22 percent of the weighted average sales price, whichever is  
23 greater, f.o.b. the extraction plant.

24                    (b) (1) Approve in principle the offer for the  
25 development of oil and gas from the Alamitos Beach Park  
26 Lands, utilizing a net profits contract with a specified

1 minimum of 16-2/3 percent of the allocated gross production  
2 and with provisions for advance payments; (2) authorize  
3 Executive Officer to prepare notice inviting bids, bid form,  
4 and the Tract No. 2 Contractors' Agreement covering the  
5 Alamitos Beach Park Lands, Long Beach Unit, Wilmington Oil  
6 Field, Los Angeles County; (3) direct the Executive Officer  
7 to submit the documents in their proposed final form for  
8 approval by the Commission.

9 (c) Pursuant to request received under provisions  
10 of the Public Resources Code, authorize Executive Officer to  
11 offer 810 acres tide and submerged lands underlying San  
12 Joaquin River, Middle River, Connection Slough, and Whiskey  
13 Slough, San Joaquin County, for oil and gas lease.

14 Frank, do you want to comment on the new offering  
15 of the Alamitos Beach Park parcel?

16 MR. HORTIG: Yes, particularly to this extent --  
17 that a draft form of a proposed method for contracting has  
18 been prepared in the Office of the Attorney General. This is  
19 not to indicate that this has been adopted by the State Lands  
20 Commission and will not be until further report at the next  
21 meeting of the Lands Commission; but copies will be available  
22 to anyone interested in industry who would like to review it  
23 and discuss it with State Lands and the Attorney General's  
24 Office before it is recommended for final adoption by the  
25 Commission at the June meeting.

26 GOV. ANDERSON: Any questions or comments?

(No response)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

MR. CRANSTON: Move approval.

MR. SHEEHAN: Second.

GOV. ANDERSON: Moved and seconded, carried unanimously.

Item 8 -- Administration.

I suppose this might be where I will make an announcement regarding Alan Sieroty, who has been in my administration, has been my executive secretary and with my office for over four years. This, I understand, is going to be his last meeting. He is leaving me to take another appointment, which I am not at liberty to divulge, but I understand a release is going to be put out on it.

I just want to say Alan has done a tremendous job as far as I am concerned -- not only attending these meetings but spending twenty, thirty, forty percent of his time helping with things and talking with Frank and trying to educate me on many of these very difficult subjects that come before the State Lands Commission.

I want to say I am very happy that Alan is getting a better position, but also unhappy he is leaving me because he has done such good service as far as I am concerned. This will be his last meeting.

I have asked another member of my staff to attend this meeting, Stephen Wagner. Do you want to stand up, so they know what you look like? Stephen will probably be



1 attending these meetings to help me in the same manner Alan  
2 has been doing.

3 MR. CRANSTON: I'd like to join in the expression  
4 that we are sorry Alan is leaving. He has done a great job  
5 and been of help to all the Commissioners.

6 MR. SHEEHAN: I second the motion.

7 GOV. ANDERSON: That's one part of the administra-  
8 tion item, then.

9 (a) Authorize Executive Officer to execute and  
10 have recorded a transfer agreement, transferring possession  
11 and control of 0.081 acre sovereign land in Marin County  
12 from Department of Public Works, Division of Highways, to  
13 the State Lands Commission.

14 (b) Execute service agreement with San Diego  
15 Unified Port District, San Diego County, pursuant to Chapter  
16 67/62, as amended by Chapter 673/63, providing for surveying  
17 services to be rendered by the State Lands Commission, at  
18 Commission's actual costs not to exceed \$15,000.

19 (c) Execute interagency agreement with Department  
20 of General Services, Office of Architecture and Construction,  
21 providing for delineating, drafting, and engineering services  
22 to the State Lands Commission for the 1964-65 fiscal year, at  
23 actual costs not to exceed \$5,420. (There was a mistake in  
24 the original printing, and that has been corrected in mine.)

25 MR. HORTIG: Yes.

26 (d) Execute service agreement with City of Oceanside

1 San Diego County, providing for surveying services to be  
2 rendered by the State Lands Commission as contractor, pursu-  
3 ant to Chapter 217/63, at Commission's actual costs but not  
4 to exceed \$4500.

5 MR. CRANSTON: Move approval,

6 MR. SHEEHAN: I'll second.

7 GOV. ANDERSON: Moved and seconded, carried  
8 unanimously.

9 Item 9 -- Boundary Agreements: Authorize Executive  
10 Officer to execute Boundary Line Agreement No. 59 with Valeri  
11 Silacci, fixing the Ordinary Low Water Mark along the Peta-  
12 luma River, Sonoma County, as the permanent boundary between  
13 State submerged lands and subject private lands along the  
14 tidal waterway.

15 MR. SHEEHAN: Move approval,

16 MR. CRANSTON: Second,

17 GOV. ANDERSON: Moved and seconded, carried  
18 unanimously.

19 Item 10 is to confirm transactions consummated by  
20 the Executive Officer pursuant to authority confirmed by the  
21 Commission at its meeting on October 5, 1959.

22 MR. SHEEHAN: So move,

23 MR. CRANSTON: Second,

24 GOV. ANDERSON: Seconded, carried unanimously.

25 Item 11 -- Informative only, no Commission action  
26 required: Report on status of major litigation.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Frank or Mr. Shavelson, who wants to make the report?

MR. HORTIG: The first supplement to that, of course, was Mr. Shavelson's report on the Supreme Court tideland decision, which you have already had.

MR. SHAVELSON: That's right. There is one other report on which there has been a modification since the printing of the item and that is the Morro Bay situation; and Deputy Attorney General Paul Joseph is here and will give a brief updating on that.

MR. JOSEPH: The City of Morro Bay incorporated this county territory last June and a controversy arose between the city and county as to who would take over the tidelands in Morro Bay, inasmuch as there were twenty or thirty upland owners suing over the tidelands. There was a suit by the City of Morro Bay against the county when the city had to take over the administration of the trust.

They actually moved in and took over the administration on about May 17th and the law suit, as to which has to administer the trust from now on, is going to be settled. Certain differences between the city and county are still being litigated.

The State Lands Commission and the Office of the Attorney General are helping to smooth over the situation and see that the city administers the tidelands trust. So, effectively, the city has taken over the administration of

1 the tidelands in Morro Bay.

2 GOV. ANDERSON: Any other report?

3 MR. HORTIG: Not with respect to that item.

4 IF I may invite the attention of the Commissioners  
5 to the only supplemental item, entitled "Informative" with  
6 respect to legislation, which follows on pages 66 et seq. of  
7 your agenda -- this is intended, of course, to be the monthly  
8 status report forwarded to your respective offices; but I  
9 would like to invite the attention of the Commission to a  
10 small matter of personal satisfaction, appearing on page 66.

11 Three bills were authorized by the Lands Commission  
12 to be introduced. This authorization was on December 17,  
13 1964, and these bills were intended to modify the Public Res-  
14 sources Code to improve the administrative efficiency of  
15 the State Lands Commission; and I am happy to report today  
16 that two of the bills have been signed by the Governor and  
17 chaptered, and the third one is under enrollment and will be  
18 in the Governor's office, which I feel is a pretty good box  
19 score.

20 GOV. ANDERSON: Frank, along the same line, I  
21 thought you might give us a report on the budget item that  
22 we had requested. I think in the administration of the  
23 Wilmington Long Beach Oil Field, we had requested in the bud-  
24 get some eighty-eight people, wasn't it, checking up on the  
25 program. Would you give us a report on that and where we  
26 are, so we might know what to do?

1 MR. HORTIG: The State Lands Commission, at the  
2 April meeting, considered approval of a proposed budget aug-  
3 mentation by the Department of Finance, which would have  
4 provided eighty-five new positions in the State Lands Divi-  
5 sion for the purpose of administering the Lands Commission's  
6 responsibilities under Chapter 138 in Long Beach, and three  
7 workload staff positions to be assigned to Sacramento.

8 The Assembly Subcommittee on Ways and Means re-  
9 ported to the full committee, and the full committee adopted  
10 a report a week ago yesterday, recommending that funds be  
11 appropriated only for the establishment of eight new posi-  
12 tions at Long Beach -- these to be all at upper level super-  
13 visory levels, with the intent of having these eight posi-  
14 tions monitor the operations for the first year and to return  
15 next year at the budget session with a recommendation as to  
16 augmentations that were felt to be necessary, in fact, based  
17 on measurement of the workload during the fiscal year.

18 On last Friday morning, the Assembly Subcommittee  
19 proposed an amendment to that augmentation, to add the three  
20 staff positions for State Lands Division, Sacramento, on the  
21 understanding that these had been omitted inadvertently from  
22 the original recommendation, where all the attention was  
23 focused on the Long Beach problem, and it was recognized that  
24 the three staff positions which were in the augmentation  
25 were there as workload positions that would have been in-  
26 cluded in the Governor's budget and would have been in the

1 regular support budget for the State Lands Division had the  
 2 report of organization study from the Department of Finance  
 3 been available at the time that the regular budget was  
 4 prepared; and these recommendations were pursuant to the  
 5 organization study which had been requested by the State  
 6 Lands Commission in July of 1964.

7 As recently as this morning, there has been a meet-  
 8 ing with representatives of the Senate Subcommittee of the  
 9 Senate Finance Committee -- which possibly Director Sheehan  
 10 would like to report on, to the extent that it is feasible.

11 MR. SHEEHAN: You are doing fine.

12 MR. HORTIG: It was reported to the Subcommittee  
 13 this morning, preceding this meeting today, that it was the  
 14 feeling of the State Lands Division and the Department of  
 15 Finance that the total supervision responsibilities for all  
 16 the Long Beach tideland operations as far as oil and gas  
 17 operations were concerned could not initially be discharged  
 18 effectively, to the degree that it could be reported to the  
 19 Legislature that a complete and effective job was being done  
 20 under Chapter 138, with a staffing of less than forty-five  
 21 positions.

22 Recognizing that there are thirteen existent posi-  
 23 tions related to oil and gas operations at Long Beach at the  
 24 present time, this would necessitate for a minimum nucleus  
 25 staff the establishment of thirty-two new positions, one of  
 26 which, incidentally, would be an attorney assigned to the

1 Office of the Attorney General, but to be devoted primarily,  
2 and I am sure exclusively because of the amount of workload  
3 generated, to Long Beach problems.

4 GOV. ANDERSON: Now, this would be an absolute mini-  
5 mum for us to get by?

6 MR. HORTIG: This is correct.

7 GOV. ANDERSON: And this should not imply  
8 correct me if I ~~am~~ wrong -- that ~~after the year 1960, we~~  
9 think we can get along with this because next year with this  
10 operation we are probably going to have to move toward the  
11 figure given us by the people who advised us, the experts  
12 in this field.

13 MR. HORTIG: Two things will bring this about, and I  
14 so reported to the chairman of the Subcommittee. Next year  
15 we are patently going to be able to come in with a budget  
16 proposal based on actual workload, and next year that work-  
17 load is going to be increased because the phase of development  
18 is going to have increased at Long Beach over what it is  
19 this year.

20 In other words, we are starting drilling the first  
21 well on June 11th and then in two years -- well, between  
22 two and three years we will be operating at a pace where one  
23 well will be completed every other day of the week.

24 GOV. ANDERSON: I think it ought to be clear when  
25 the next budget is presented next year that, even though at  
26 this time we probably could get by with the minimum of these

1 thirty-two additional people, a total of forty-five, that  
2 next year we are going to have more than this, approaching  
3 the figure of our advisers.

4 MR. HORTIG: This is correct. Of course, my own  
5 evaluation of the situation is that there are things that  
6 are not going to get done with this minimum staffing.

7 GOV. ANDERSON: The minimum you are talking about  
8 is the forty-five?

9 MR. HORTIG: Even with the forty-five, there are  
10 analyses and studies that, if it were possible to make them  
11 as a result of having adequate staffing, would result in  
12 additional recoveries and additional revenues to the State  
13 far exceeding the costs of the additional staffing -- being  
14 the difference between forty-five and eighty-five people, as  
15 was recommended in the original report.

16 GOV. ANDERSON: Now, the Assembly report was what,  
17 eight?

18 MR. HORTIG: Eight.

19 GOV. ANDERSON: What will be done as far as your  
20 staff is concerned or as far as we are concerned if, in  
21 reaching the difference between what the Senate adopted  
22 this morning \*\*\*

23 MR. HORTIG: I can't say the Senate adopted it.  
24 This was our report to the Senate Subcommittee; and with all  
25 my fingers crossed, I hope they adopt it. So to the degree  
26 that it is appropriate and there might be consultations with



1 your colleagues in the Senate, Governor Anderson, support  
 2 for the proposed recommendation that at least thirty-two new  
 3 positions be approved in the Senate version of the budget and  
 4 then hopefully a meeting of the minds at the time of confer-  
 5 ence where the rest of the mechanics to be followed, which are  
 6 obviously outside the realm where the State Lands Division  
 7 functions -- this is now in the lap of the United States, in  
 8 the lap of the Legislature and the Department of Finance.

9 GOV. ANDERSON: Any further comments? (No response)  
 10 Do you have anything further to bring up, Frank?

11 MR. HORTIG: No, Mr. Chairman.

12 GOV. ANDERSON: I have just one item I wanted to  
 13 announce and this is in reference to what we have talked  
 14 about earlier on the study of the policies on pricing of  
 15 easements and permits.

16 As you are aware, I am interested quite a bit in  
 17 this and I have asked Jerry Fadem, who I am sure Alan knows --  
 18 an attorney who specializes in condemnation and title litiga-  
 19 tion; four years, he served with the Army Corps of Engineers  
 20 in their Real Estate Division as Administrative Assistant to  
 21 the Chief of the Division, and later as Real Estate Claims  
 22 Officer -- I have asked him to help as special consultant,  
 23 without any compensation, in the study going on, on pricing  
 24 of leases and easements. I have talked to Jerry Fadem and I  
 25 have a lot of confidence in him. I know there are questions  
 26 I would like to have asked and have probed into, and I think

45  
1 it should be announced that he will be doing this. I think  
2 it is good when you can get a person of this stature to do  
3 a thing like ~~this without~~

4 I didn't want him to come into the office, people  
5 not knowing he should be there. I wanted you to know he is  
6 coming at my direction and he is doing a great service.

7 MR. HORTIG: Very good.

8 GOV. ANDERSON: The last item I have is the  
9 confirmation of date, time and place of the next Commission  
10 meeting -- Monday, June 28, 1965, ten a.m., Los Angeles.

11 Motion to adjourn to that time and place?

12 MR. CRANSTON: Move.

13 MR. SHEEHAN: Second.

14 GOV. ANDERSON: Carried unanimously.

15 \* \* \* \* \*

16  
17 ADJOURNED 11:35 A.M.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

CERTIFICATE OF REPORTER

I, LOUISE K. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing forty-five pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held at Sacramento, California, on May 27, 1965.

Dated: Los Angeles, California, June 9, 1965.

LOUISE K. LILLICO