

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

LOS ANGELES, CALIFORNIA
December 16, 1965

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

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Glenn M. Anderson, Lieutenant Governor,
Acting Chairman
Hon. Alan Cranston, Controller, absent --
represented by:
Mr. Winthrop G. Griffith
Deputy State Controller
Hon. Hale Champion, Director of Finance, absent --
represented by:
Mr. John P. Sheehan, Chief
Deputy Director, Department of Finance

Mr. F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Mr. Warren J. Abbott, Deputy Attorney General

APPEARANCES:

(In the order of their appearance)

Mr. Ford B. Ford, Executive Secretary
Senate Factfinding Committee on
Natural Resources

Mr. Flint H. Agee, Vice President
United Geophysical Corporation

Mr. W. J. Austin
Occidental Petroleum Corporation

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 N D E X
(In accordance with Calendar Summary)

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
1 Call to order			
2 PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:			
(a) Dept. of Fish and Game	7	1	2
(b) State Dept. of Public Works, Div. of Highways	3	2	2
(c) State Dept. of Public Works, Div. of Highways	21	3	2
(d) Pacific Tel. & Tel. Co.	22	4	2
3 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:			
(a) Lee R. Miller	32	5	3
(b) Joseph I. O'Neill, John B. Ashmun, H.T. Hilliard	35	6	3
(c) Paul J & Augusta P. Bourdon	17	8	3
(d) John D. and Joan Hooper	2	9	3
(e) Union Oil Co. of Calif.	30	10	3
(f) Franco Wyoming Oil Co.	13	11	4
(g) Phillips Petroleum Co.	34	12	4
(h) Shell Oil Company	24	13	4
(i) Clear Lake Power Co.	31	14	4
(j) Eugene Sully Hancock, Jr.	16	16	4
(k) S. I. Corporation	14	18	5
(l) Pacific Gas & Electric Co.	25	20	8
(m) Pacific Gas & Electric Co.	26	21	8
(n) Pacific Gas & Electric Co.	27	22	8

continued

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

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

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>
3 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE continued			
(o) Pacific Gas & Electric Co.	28	23	9
(p) Pacific Gas & Electric Co.	8	24	9
(q) Pacific Gas & Electric Co.	5	25	9
(r) Occidental Petroleum Corp.	37	26	9
(s) Pan Petroleum Co., Inc.	15	28	12
(t) Elroy A. Richardson	19	29	12
(u) Shell Oil Company	23	30	12
(v) Union Oil Co. of Calif.	18	31	12
4 CITY OF LONG BEACH			
(a) Berths 204-205 Pier F	1	32	14
(b) Access Roads for Pier J	11	34	14
(c) Main trunk utility lines for Pier J	10	36	14
(d) Cooperative agreement Injection Well No. WI-11	29	38	14
5 LAND SALES			
(a) Dept. Public Works, Div. Highways, Shasta County	4	40	15
6 OIL AND GAS LEASE OFFERS			
(a) Parcel 31, offer 5546 acres in Ventura County	16	42	15
(b) Notice of offer 3339 acres Sacramento & Contra Costa counties, W.O. 5047	33	44	15
(c) Award to Atlantic Oil Co. W. O. 5584	36	45	16

continued

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

<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
7 ADMINISTRATION			
(a) Amend and adopt regulations, Title 2, Calif. Admin. Code	20	46	17
(b) Service agreement with City of Benicia, Ch.18/64	6	48	17
(c) Schedule 1966 meetings	9	49	17
8 INFORMATIVE - (a) Litigation	38	50	17
9 Next meeting			18
<u>SUPPLEMENTAL CALENDAR</u>			
10 Approval 8th Modification Plan of Development Long Beach Unit Wilmington Oil Field (1965)	39	52	18
11 Approval 9th Modification of above	40	53	21

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 N D E X
(In accordance with calendar items)

<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>	<u>ITEM ON</u>	<u>PAGE OF</u>	<u>PAGE OF</u>
<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>	<u>CALENDAR</u>	<u>CALENDAR</u>	<u>TRANSCRIPT</u>
1	32	14	24	13	4
2	9	3	25	20	8
3	2	2	26	21	8
4	40	15	27	22	8
5	25	9	28	23	9
6	48	17	29	38	14
7	1	2	30	10	3
8	24	9	31	14	4
9	49	17	32	5	3
10	36	14	33	44	15
11	34	14	34	12	4
12	16	4	35	6	3
13	11	4	36	45	16
14	18	5	37	26	9
15	28	12	38	50	17
16	42	15	SUPPLEMENTAL:		
17	8	3	39	52	18
18	31	12	40	53	21
19	29	12	NEXT MEETING		
20	46	17			
21	3	2			
22	4	2			
23	30	12			

1 DECEMBER 16, 1965 - 10:20 a.m.

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: The meeting of the State Lands Commission will come to order; and in the absence of the regular Chairman it might be in order that we select a new or temporary Chairman for the day.

MR. SHEEHAN: I'll move that Governor Anderson be Chairman.

MR. GRIFFITH: Second.

GOV. ANDERSON: Moved and seconded and carried unanimously.

For the record -- so there is not any question about it -- we have, representing Director of Finance Champion today, Mr. Sheehan, his Deputy; we have, representing Mr. Cranston, Mr. Winthrop Griffith, Mr. Cranston's Deputy.

I have been informed that there isn't any question about the number of deputies we can have. Just to make it clear, so there isn't any question about the legality about having two deputies in the meeting, Mr. Abbott of the Attorney General's Office will give us a legal ruling on it before we take any action.

MR. ABBOTT: Yes, Mr. Chairman. In our opinion the Government Code allows the Controller to have one deputy sitting for him on a commission such as the State Lands Commission; and another section allows the Director of Finance

2
1 to have one deputy to sit for him on the State Lands Commission; and in our opinion each may do that, so that there
2 may be two deputies sitting at this particular meeting.
3

4 GOV. ANDERSON: Just so that is a matter of record.
5 Mr. Cranston is in Africa; Mr. Champion is on vacation; the
6 Governor is in New Zealand.

7 The first item is permits, easements, and rights-
8 of-way to be granted to public and other agencies at no fee,
9 pursuant to statutes. Consideration is the public benefit.

10 Applicant (a) is Department of Fish and Game --
11 Acceptance of quitclaim deed, effective 10/21/65, terminating
12 Permit P.R.C. 2524.9, Del Norte County. Facility completely
13 destroyed by December 1964 flood.

14 (b) State Department of Public Works, Division of
15 Highways -- Execution of agreement for reservation for detour
16 right-of-way, 100-foot strip of sovereign land in vicinity
17 of Anaheim Bay at Seal Beach, Orange County.

18 (c) State Department of Public Works, Division of
19 Highways -- Execution of agreement for reservation for
20 bridge rights-of-way over a 0.606-acre and a 1.125-acre
21 parcel of State sovereign land of Seal Slough (Marina
22 Lagoon), San Mateo County.

23 (d) Pacific Telephone and Telegraph Company --
24 Execution of agreement approving location of overhead com-
25 munications cable across submerged lands of Sacramento
26 River, Sutter and Colusa counties.

1 MR. SHEEHAN: I move approval.

2 MR. GRIFFITH: Second.

3 GOV. ANDERSON: Moved and seconded, carried unani-
4 mously.

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

8 Applicant (a) Lee R. Miller -- Extension of Dredg-
9 ing Permit P.R.C. 2716.1 through December 31, 1967, covering
10 0.039-acre portion of the bed of Corte Madera Creek, Marin
11 County, subject to condition that dredged material will be
12 deposited in San Francisco Bay easterly from Blunt Point,
13 Angel Island.

14 (b) Joseph I. O'Neill, John B. Ashmun and H. T.
15 Hilliard, a partnership -- One-year extension of Prospecting
16 Permit P.R.C. 3036.1, Imperial County, through January 1,
17 1967.

18 (c) Paul J. and Augusta P. Bourdon -- Approval of
19 assignment of Lease P.R.C. 685.1, Corte Madera Ark Site No.
20 10, Marin County, to Wm. R. Hanlon and Albert K. Engel.

21 (d) John D. Hooper and Joan Hooper -- Approval of
22 assignment of Lease P.R.C. 2662.1, Ark Site on the Petaluma
23 River, Marin County, to Leo J. Nolan and Edna R. Nolan.

24 (e) Union Oil Company of California -- Approval of
25 assignment of an oil production payment in State Oil and Gas
26 Lease P.R.C. 3033.1, Orange County, to University Benefit

1 Association, Inc.

2 (f) Franco Wyoming Oil Company -- Approval of
3 assignment of an undivided one-half interest in Compensatory
4 Royalty Agreement P.R.C. 2628.1, Sutter and Colusa counties,
5 to Mobil Oil Company.

6 (g) Phillips Petroleum Company -- Deferment of
7 drilling requirements under Oil and Gas Lease P.R.C. 2205.1,
8 through July 21, 1966. Lessee diligently conducted drilling
9 operations on the lease for two and one-half years prior to
10 required date for commencing operations, and completed last
11 well on March 27, 1964.

12 (h) Shell Oil Company -- Modification of Commission
13 action of May 23, 1965, to provide blanket consent under
14 Lease P.R.C. 3265.1, Orange County, to sublease to any
15 operators under contract to the lessee during the life of
16 the lease.

17 (i) Clear Lake Power Company -- Rescission of May
18 27, 1965, authorization for issuance of two-year prospecting
19 permit for geothermal energy, mineral waters, non-hydrocarbon
20 gases and minerals other than oil and gas on submerged lands
21 underlying Clear Lake, Lake County. Applicant declined to
22 execute acceptance of the permit.

23 (j) Eugene Sully Hancock, Jr. -- Rescission of
24 July 20, 1965, authorization for issuance of two-year pros-
25 pecting permit for geothermal energy, mineral waters, non-
26 hydrocarbon gases, and minerals other than oil and gas on

1 submerged lands underlying Clear Lake, Lake County.

2 Applicant declined to execute acceptance of the permit.

3 (k) S. I. Corporation -- Rescission of May 27, 1965
4 authorization for issuance of two-year prospecting permit for
5 geothermal energy, mineral waters, non-hydrocarbon gases,
6 and minerals other than oil and gas on submerged lands under-
7 lying Clear Lake, Lake County. Applicant declined to execute
8 acceptance of the permit.

9 MR. HORTIG: Mr. Chairman, it might be helpful to
10 the Commission to have an explanation as to the reason for
11 the recommendation for rescission of the authorization for
12 these applications, which has been discussed particularly
13 this week with the one applicant, S. I. Corporation -- the
14 principal reason being that recent exploration developments
15 and further geologic analyses have led this particular appli-
16 cant to focus their interest on the possibility of geothermal
17 energy elsewhere, particularly in Sonoma County -- where
18 they have applications pending before the State Lands Com-
19 mission for consideration in that county. Their own cor-
20 porate decision was that they would prefer to explore in
21 Sonoma County, rather than in Lake County under the permit
22 which was previously authorized by the Commission.

23 This is a matter of recent concern of the Senate
24 Natural Resources Committee, which held hearings last week
25 with respect to the provision of incentives and to provide
26 assistance to prospective developers of geothermal energy

1 on both State-owned and privately-owned lands, and I gave
2 this explanation with respect to these rescissions to indi-
3 cate that the State Lands Division is still interested in the
4 prospecting permit applications, even under the cumbersome
5 procedures which are required under existing statutes, and
6 that we still have applications pending, as well as issued
7 under which exploration is going forward.

8 The consultant to the Senate Natural Resources
9 Committee, Mr. Ford B. Ford, is here at this meeting today
10 and I felt that this explanation might be of assistance for
11 the record of his committee, and also gave the opportunity
12 to inquire whether Mr. Ford wishes to make any statement to
13 the Commission with respect to this field in which he is
14 particularly interested.

15 GOV. ANDERSON: Mr. Ford, would you like to com-
16 ment on these items? Would you identify yourself?

17 MR. FORD: Ford B. Ford, Executive Secretary,
18 Senate Natural Resources Committee.

19 The committee did hold two days of field trips and
20 a public hearing on the subject of geothermal minerals and it
21 became evident during the hearing with regard to State lands
22 that the prospectors had found some problems with the pros-
23 pecting permit, the lease provisions. They seem to them to
24 be unrealistic and it was their hope that something could be
25 developed that generally paralleled the Federal legislation
26 now pending on this subject; and some requests have gone

1 before the Governor; I understand, directed toward including
2 this in a special call item.

3 I understand there is no real problem other than
4 making necessary changes as befits your feelings and those of
5 the companies that are currently in the field, working togeth-
6 er with our committee to develop the legislation; and we will
7 be in contact with the State Lands staff for that purpose.

8 GOV. ANDERSON: Is this a procedure that can be
9 changed only by State legislation? Nothing our staff can
10 do alone?

11 MR. FORD: That's my understanding.

12 MR. HORTIG: Actually, I think I should clarify
13 only very slightly. A portion of the problems that are
14 existent could be resolved by Commission action and this is
15 under discussion with some of the applicants now on revised
16 provisions that might be adopted by the Commission; but the
17 complete resolution of all of the problems will require new
18 legislation.

19 The problem is very simply that the Legislature in
20 1921 prescribed a prospecting permit procedure designed to
21 provide for effective permits and explorations for high unit
22 value material -- gold -- and never had in mind the necessity
23 of using the same statutes and rules and regulations to apply
24 to an exotic situation such as geothermal energy. Conse-
25 quently, the administrative procedures under existing statutes
26 must be cumbersome, to say the least, and it would be

1 preferable, particularly to give the incentive to an entirely
2 new industry, to have effective legislation which will really
3 permit optimum development of this type of energy.

4 MR. SHEEHAN: We could modify it only in a minor
5 way?

6 MR. HORTIG: That is correct, but we are still
7 working on it -- even to the minor extent that we can.

8 GOV. ANDERSON: Your reference to "unrealistic"
9 would apply to the 1921 statute?

10 MR. FORD: That's correct -- not the Lands Commis-
11 sion policy.

12 GOV. ANDERSON: Because we feel our State Lands
13 Commission is a very realistic body.

14 MR. FORD: Thank you.

15 GOV. ANDERSON: Applicant (l) -- Pacific Gas and
16 Electric Company -- Issuance of ten-year renewal of Lease
17 P.R.C. 495.1, covering 50-foot-wide pipeline easement, 0.767
18 acre ungranted sovereign land in Latham Slough, San Joaquin
19 County, at total rental of \$289.80.

20 (m) Pacific Gas and Electric Company -- Issuance
21 of ten-year renewal of Lease P.R.C. 497.1, covering 50-foot-
22 wide pipeline easement, 0.537 acre ungranted sovereign land
23 in Middle River, San Joaquin County, at total rental of
24 \$202.90.

25 (n) Pacific Gas and Electric Company -- Issuance
26 of ten-year renewal of Lease P.R.C. 498.1, covering 50-foot

1 pipeline easement, 0.702 acre tide and submerged land in
2 Old River, Contra Costa and San Joaquin counties, at total
3 rental of \$265.20.

4 (o) Pacific Gas and Electric Company -- Issuance
5 of ten-year renewal of Lease P.R.C. 499.1, covering three
6 separate 50-foot-wide gas-pipeline easements across un-
7 granted sovereign land in Whiskey Slough, San Joaquin County
8 at total rental of \$100 for each of the three parcels.

9 (p) Pacific Gas and Electric Company -- Issuance
10 of 15-year easement across 0.057-acre strip of tide and sub-
11 merged lands of Taylor Slough, Contra Costa County, for
12 submerged 4½-inch gas line, at total rental of \$332.70.

13 (q) Pacific Gas and Electric Company -- Issuance
14 of 15-year easement, 0.826 acre tide and submerged lands of
15 Monterey Bay, Monterey County, crossing bed of Old Salinas
16 River, which is under jurisdiction of the Moss Landing
17 Harbor District, for discharge pipes from upland power plant
18 at annual rental of \$52.96.

19 (r) Occidental Petroleum Corporation -- Issuance
20 of permit to conduct geophysical operations, Solano and
21 Contra Costa counties.

22 MR. HORTIG: Mr. Chairman, when this item was pre-
23 pared, including the recommendation as it appears on pages
24 26 and 27 of your agenda, the Wildlife Protection Branch of
25 the Department of Fish and Game had requested that the ex-
26 ploration work be restricted to the period February 1 to

1 September 1.

2 We have just been informed this morning of the
3 revised recommendation of the Wildlife Protection Branch
4 that this period may now extend from January 10 to September
5 1 and it is, therefore, recommended that the staff recommen-
6 dation be modified to reflect this revised approval by the
7 Wildlife Protection Branch of the Department of Fish and
8 Game.

9 GOV. ANDERSON: Then the motion to approve should
10 include the modification and the secretary will make note of
11 that.

12 MR. AGEE: Mr. Chairman, I have a further revision
13 I would like to suggest. I understand that Fish and Game
14 approved their permit for the period beginning January 6th.

15 GOV. ANDERSON: Would you identify yourself?

16 MR. AGEE: I am Flint Agee. I am with the United
17 Geophysical Company, representing Occidental. I understand
18 the Fish and Game permit was set forward to the 6th of
19 January and I would appreciate it if we could start our
20 Lands Commission permit on the 6th of January.

21 MR. HORTIG: If I may call on the other representa-
22 tive of Occidental Petroleum, who gave us the date which we
23 confirmed this morning of January 10th, maybe we can resolve
24 this problem.

25 MR. AUSTIN: I am W. J. Austin of the Occidental
26 Petroleum Corporation. I think what he is talking about,

1 the thing we had in mind originally was February 1st to
2 September 1st. Now the date of the permit, as I understand
3 it, would be from January the 2nd with the provision that we
4 can't go on Grizzly Island and the other island until January
5 10th; is that correct?

6 MR. HORTIG: This is our understanding and, there-
7 fore, this action by the State Lands Commission is to revise
8 the permit for as long as you have a concurrent permit from
9 Fish and Game, which would indicate January 10th will not
10 influence the rest of your operations.

11 MR. AUSTIN: Thank you very much.

12 GOV. ANDERSON: Now, what is the modification?

13 MR. HORTIG: The modification is only with respect
14 to the recitation on page 26 that the Department of Fish and
15 Game previously asked that work be restricted on Grizzly and
16 Hammond islands to the period February 1 to September 1.

17 It is now recognized that this has been revised
18 where they are willing to have work start on those specific
19 islands on January 10th, as early as January 10th, all of
20 which would be done under a permit issued by the State Lands
21 Commission effective January 2nd as to other areas and not
22 effective, in fact, until January 10th for Grizzly and Ham-
23 mond Island as requested by Fish and Game.

24 MR. SHEEHAN: And they go to September 1st?

25 MR. HORTIG: And to September 1st; this is correct.
26 Actually, the State Lands permit does not contemplate that

1 the operations will actually take this entire period, but
2 Fish and Game suggested it would be available and the Lands
3 Commission permit would only be through July 1, 1966. This
4 is all the time the operator really felt he needed.

5 GOV. ANDERSON: Secretary, you have that
6 modification?

7 REPORTER: Yes, sir.

8 GOV. ANDERSON: Applicant (s) Pan Petroleum Com-
9 pany, Inc. -- Issuance of six-month geological survey permit,
10 tide and submerged lands, Santa Barbara, Ventura, Los
11 Angeles, Orange, and San Diego counties.

12 (t) Elroy A. Richardson -- Issuance of five-year
13 recreational pier permit, 0.003 acre sovereign land in bed
14 of the Colorado River, Riverside County, for construction of
15 a float, for fee of \$25.

16 (u) Shell Oil Company -- Issuance of 49-year ease-
17 ment, 9.668 acres tide and submerged lands in the Santa Bar-
18 bara Channel, Santa Barbara County, for construction, opera-
19 tion and maintenance of submarine flow lines, at annual
20 rental of \$274.60.

21 (v) Union Oil Company of California -- Issuance of
22 15-year subsurface crossing easement, 7.66 acres ungranted
23 sovereign lands below a depth of 2,000 feet under Piper
24 Slough, Bethel Island, Contra Costa County (for purpose of
25 drilling for oil and gas and other hydrocarbon substances
26 from lands other than those of the State), at annual rental
of \$734.82.

1 MR. SHEEHAN: I'll move the adoption, with the
2 modification in (r).

3 MR. GRIFFITH: Second.

4 GOV. ANDERSON: Moved and seconded. Frank, I'd
5 like to ask a question. On the half a dozen items, where we
6 are renewing a lease, Pacific Gas and Electric items, this
7 is for a ten-year period for the most part, ten or fifteen-
8 year?

9 MR. HORTIG: Yes, sir.

10 GOV. ANDERSON: In view of our other procedures on
11 rate formulas, how does that apply on each of these? Have
12 you looked at the rental situation before establishing these?

13 MR. HORTIG: This is a continuation of the last
14 series of rates established by the Lands Commission. Recom-
15 mendations for changes in those rates are not ready for
16 presentation.

17 GOV. ANDERSON: These are the rates that pre-
18 viously applied?

19 MR. HORTIG: These are different than the rates
20 that previously applied under an earlier Commission and
21 earlier policy decision as to rental rates. These are now
22 in conformance with the rental rates established by the cur-
23 rent Commission.

24 GOV. ANDERSON: It has been moved and seconded
25 that all the items under Classification 3 be approved, with
26 the understanding that Application (r) be modified regarding

1 the dates as clarified by Mr. Hortig, and the secretary
2 has note of it, and it is carried unanimously.

3 Classification Number 4 -- City of Long Beach
4 (Pursuant to Chapter 29/56, First Extraordinary Session, and
5 Chapter 138/64, First Extraordinary Session):

6 (a) Determine that expenditure proposed in letter
7 dated 10/19/65 of approximately \$2,636,000 for construction
8 of a wharf and development of the back area at Berths 204-
9 205 on Pier "F" in the Long Beach Harbor District is in
10 accordance with the provisions of Chapter 138/64, First
11 Extraordinary Session.

12 Any comment on this, Frank?

13 MR. HORTIG: No, sir.

14 GOV. ANDERSON: (b) is to determine that expendi-
15 ture proposed in letter dated 10/27/65 of approximately
16 \$2,100,000 for construction of access roads for Pier "J" in
17 the Long Beach Harbor District is in accordance with the pro-
18 visions of Chapter 138/64, First Extraordinary Session.

19 (c) is to determine that expenditure proposed in
20 letter dated 10/27/65 of approximately \$1,470,000 for con-
21 struction of main trunk utility lines for Pier "J" in the
22 Long Beach Harbor District is in accordance with the provi-
23 sions of Chapter 138/64, First Extraordinary Session.

24 (d) is to find that the cooperative agreement
25 (Injection Well No. WI-11) between City of Long Beach, Rich-
26 field Oil Corporation, and Standard Oil Company of California,

1 provides that any impairment of the public trust for com-
2 merce, navigation or fisheries to which granted lands are
3 subject is prohibited; that the entering into and performance
4 of such agreement is in the public interest; and approve
5 said agreement on behalf of the State, pursuant to applicable
6 law.

7 MR. SHEEHAN: I'll move.

8 MR. GRIFFITH: Second.

9 GOV. ANDERSON: Moved, seconded. Any questions or
10 comments? (No response) If not, carried unanimously.

11 Item 5 -- Land Sales -- cleared with all State
12 agencies having a land-acquisition program:

13 (a) Authorize sale of 34.97 acres vacant State
14 school land, Shasta County, to the Department of Public
15 Works, Division of Highways, for \$8,743.

16 MR. SHEEHAN: I'll move.

17 MR. GRIFFITH: Second.

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

20 Item 6 is oil and gas lease offers:

21 (a) is to authorize Executive Officer to offer
22 approximately 5,546 acres tide and submerged land in Ventura
23 County for oil and gas lease - Parcel 31.

24 (b) is to authorize Executive Officer to publish
25 notice of the Commission's intention to consider offering a
26 lease for the extraction of oil and gas from approximately

1 3,339 acres tide and submerged lands in the counties of
2 Sacramento and Contra Costa, underlying the San Joaquin River,
3 False River, Taylor Slough, and Piper Slough - W.O. 5047.

4 MR. HORTIG: Mr. Chairman...

5 GOV. ANDERSON: Mr. Hortig.

6 MR. HORTIG: The resolution as it appears on page
7 44 of the agenda before you should read, in the description:

8 "Described as follows:

9 "Tide and submerged lands situate in
10 projected Sections 1, 2, 10, 11, 12, 14,
11 and 15, Township 2 North, Range 2 East;
12 projected Sections 2, 3, 4, 5, 6, 7, and..."

13 The correction is the addition of Section 6.

14 MR. GRIFFITH: What page is that?

15 MR. HORTIG: Page 44.

16 GOV. ANDERSON: The secretary has that correction?

17 (c) is to award to sole bidder, Atlantic Oil Com-
18 pany, oil and gas lease designated as W.O. 5584, containing
19 approximately 970 acres of land tidal in character; approxi-
20 mately 132.71 acres of certain reserved upland mineral inter-
21 ests; and approximately 75.71 acres underlying certain lands
22 acquired by the State for navigational purposes, for cash-
23 bonus payment of \$25,000.

24 MR. GRIFFITH: Move adoption.

25 MR. SHEEHAN: Second.

26 GOV. ANDERSON: Moved and seconded that items under
Classification 6 be approved, with the amendment as previously

1 brought up by Mr. Hortig, of adding in item (b) Section
2 Number 6. Carried unanimously.

3 Classification 7 -- Administration:

4 (a) Amend and adopt regulations in Title 2, Cali-
5 fornia Administrative Code, with amendments to be effective
6 thirty days after filing with the Secretary of State.

7 (b) Authorize Executive Officer to execute Service
8 Agreement with City of Benicia, County of Solano, providing
9 for surveying and platting services to be rendered the City
10 pursuant to the provisions of Chapter 18/64, at Commission's
11 actual costs not to exceed \$500.

12 (c) Confirm 1966 schedule of meetings of the State
13 Lands Commission.

14 MR. SHEEHAN: So move.

15 MR. GRIFFITH: Second.

16 GOV. ANDERSON: Moved, seconded, carried
17 unanimously.

18 Classification 8 -- Informative only, no Commis-
19 sion action required: (a) is report on status of major
20 litigation.

21 Mr. Abbott or Mr. Hortig, do you have anything
22 to report?

23 MR. HORTIG: Mr. Chairman the resume' reports con-
24 tinuing action in all the items of major litigation in which
25 the Lands Commission is involved and for which the Attorney
26 General's Office is counsel for the State Lands Commission,

1 but the actions have been procedural; there have been no
2 decisions. There have been no significant court proceedings
3 in connection with this litigation since the time of the
4 last report. However, the report is included here in order
5 that the Commission may have a current report of the status
6 of these actions.

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

8 Classification 9 is reconfirmation of date, time
9 and place of next Commission meeting -- Thursday, January 27,
10 1966, at 10 a.m. in Los Angeles.

11 MR. HORTIG: Governor, this has been modified by
12 agreement with all Commissioners to Wednesday, January 26th.

13 GOV. ANDERSON: Was that cleared with my office?
14 I know there was a recent question on this.

15 MR. HORTIG: It was, sir.

16 GOV. ANDERSON: What is it now?

17 MR. HORTIG: Wednesday, January 26th.

18 MR. SHEEHAN: In Los Angeles?

19 MR. HORTIG: In Los Angeles.

20 GOV. ANDERSON: With the understanding it was
21 cleared with my office, fine.

22 Classification 10 is approval of Eighth Modifica-
23 tion of the 1965 Plan of Development and Operations and
24 Budget, Long Beach Unit, Wilmington Oil Field.

25 Frank, do you want to comment on that?

26 MR. HORTIG: If I may report, Governor, on both

1 items 10 and 11, since they represent the Eighth and Ninth
2 and last modifications to come before the Commission in this
3 year of 1965 for approval of modifications which were necessi-
4 tated by the need to transfer funds -- no additional funds,
5 but within the total amounts originally approved by the
6 State Lands Commission but for specific purposes and utiliza-
7 tion in development of the Long Beach Field.

8 The normal procedure would be and has been for
9 most of the modifications from one through seven for approval
10 of those modifications -- if technically acceptable and
11 legally approved by the Attorney General, those modifications
12 were approved by the Executive Officer and subsequently this
13 approval was confirmed by the Commission.

14 The data for these modifications having just been
15 received and just been evaluated, we are here really tele-
16 scoping the procedure by bringing the modification to the
17 Commission for initial approval, rather than confirmation.

18 The modifications are desirable only from the
19 standpoint of assuring the contractor that the operations
20 which were performed and for which funds have been expended
21 were, in fact, expended in accordance with an approved bud-
22 get, as approved by the State Lands Commission; and the
23 Eighth Modification does add the opportunity to expend or
24 commit in 1965 funds which are in the approved budget for
25 the 1966 year. These funds will probably not be expended in
26 1965 but in order that the contractor can be assured that he

1 can undertake the long-term contract for the furnishing of
2 electrical services in this instance and be assured, with-
3 out having to wait for subsequent approval by the State
4 Lands Commission, it is recommended that this modification
5 be approved this morning at this time.

6 GOV. ANDERSON: Mr. Abbott.

7 MR. ABBOTT: Mr. Chairman, this Eighth Modifica-
8 tion is the first problem that has come up. Chapter 138
9 requires plans of operation and budget for a period not ex-
10 ceeding one year. In order to successfully operate, the
11 contractor is going to have to go into long-term contracts,
12 such as this one for electrical facilities. Since there is
13 a remote chance that plans approved by the City and the
14 State Lands Commission might not contain this item, each of
15 these long-term contracts is going to have to have a penalty
16 provision to allow the contractor to get out of the contract.

17 This Eighth Modification is setting up in the bud-
18 get a contingent liability on this particular long-term con-
19 tract in the event some time in the next ten years the plan
20 as approved by the City and the State Lands Commission
21 changes this method of operation. This is going to come up
22 frequently, and this is the first one.

23 GOV. ANDERSON: Anything further, Frank? (No
24 response)

25 MR. SHEEHAN: Move.

26 MR. GRIFFITH: Second.

1 GOV. ANDERSON: Moved and seconded, approved
2 unanimously.

3 Item 11 -- Approval of Ninth Modification of the
4 1965 Plan of Development and Operations and Budget, Long
5 Beach Unit, Wilmington Oil Field.

6 Frank?

7 MR. HORTIG: That is included in the over-all
8 previous discussion. This is the item that is clearly a
9 re-allocation of accounting for the amounts of investment,
10 expense, working fund, contingencies and administration over-
11 head -- a difference in distribution from that originally
12 contemplated in the budget approved by the State Lands Com-
13 mission, but will not modify the total of \$13,785,000.

14 MR. SHEEHAN: Move approval.

15 MR. GRIFFITH: Second.

16 GOV. ANDERSON: Moved and seconded, carried unani-
17 mously. Anything further?

18 MR. HORTIG: Yes, Mr. Chairman. If I may, I have
19 two reports I should like to make for the information of the
20 Commission.

21 First, as the Commissioners will recall, the eastern-
22 most tract of tide and submerged lands within the Long Beach
23 City limits is an area in which the minerals are under the
24 jurisdiction of the State Lands Commission and are no longer
25 included under the tide and submerged lands grant to the City
26 of Long Beach -- so that the contracts awarded by the City of

1 Long Beach for the development of the area that was identi-
2 fied as Tract 1 and as approved by the State Lands Commission
3 did not include a portion of the tide and submerged lands
4 within the City of Long Beach.

5 It was recognized that it would be desirable that
6 this area under the jurisdiction of the State Lands Commis-
7 sion be included in the unit operations and be offered for
8 contract bid as expeditiously as possible. This procedure
9 was previously authorized by the Lands Commission and on
10 December 9th three bids were received for this tract of tide
11 and submerged lands under the jurisdiction of the State Lands
12 Commission and which, on award of contract, will be included
13 in the unit operations for the entire Long Beach unit of
14 operations.

15 The bidding procedure is fairly complex. In es-
16 sence it provided that there would be a base percentage of
17 the net profits payable to the State Lands Commission of
18 96.25 percent. This is the weighted average of the bids re-
19 ceived for all of the participants in connection with Tract 1
20 under the combined Long Beach City-State contract.

21 In addition, the biddable element was specified to
22 be a bid of a limited royalty offer to be paid on the first
23 six million barrels of oil which would be produced from
24 Tract 2, the State Lands Commission tract.

25 The bids which were received and which are now
26 under evaluation for report back to the Commission for award

1 of contract were:

2 A joint bid by Humble Oil and Refining Company and
3 Texaco Inc. offering a limited production payment or limited
4 royalty payment in addition to the 96.25 percent -- this
5 royalty, as I said, to be applicable to the first six million
6 barrels of oil, of 5.113 percent;

7 Pauley Petroleum Inc. bid 12.774 and Richfield Oil
8 Corporation 23.677 percent.

9 The combination is dependent upon the actual
10 production. Actual experience in development of net profits
11 clearly puts the combination of the 96.25 percent and 23.677
12 percent of the six million barrels of oil in the hundred per-
13 cent bid class; indeed, it may exceed one hundred percent,
14 ultimately possibly in the order of one hundred one percent.

15 That was Report Number 1.

16 MR. SHEEHAN: Pretty good report.

17 MR. HORTIG: Yes. I am happy to report that the
18 Governor's Advisory Commission on Ocean Resources met on
19 October 22nd and 23rd of this year to prepare recommendations
20 based on a review of the report entitled "California and Use
21 of the Ocean" which had been prepared by the Institute of
22 Marine Resources at Scripps Institute of Oceanography and
23 to include three subcommittee reports from subcommittees
24 which had been established, which are entitled "Evaluation
25 of Technological Manpower and Industrial Capabilities,"
26 (2), "Program Proposals in Marine Resources Development,"

1 and, (3), "Organizational Structure of the State for Research
2 and Management of Marine Resources."

3 The report of the subcommittee on Organizational
4 Structure of the State for Research and Management of Marine
5 Resources, which was accepted by the full Governor's Advisory
6 Commission on October 23rd, contains the following statement,
7 which I believe should be of particular interest to the
8 State Lands Commission, and I quote:

9 "In some instances, notably the offshore oil
10 development, the State has treated the resource
11 as if it were a business opportunity, has
12 planned competently, and at times even bril-
13 liantly and we see no reason that this class
14 of treatment will not continue in the future."

15 Continuing to quote:

16 "The State has established an excellent record
17 in its handling of the petroleum resources.
18 The story is relatively recent, dating to
19 the Federal Submerged Lands Act of 1953. The
20 written records show that early in the game
21 the executive and legislative branches
22 showed keen interest in trying to provide
23 a hospitable environment for the oil industry
24 so as to maximize the long term economic gain
25 to the State. At the same time it was cog-
26 nizant of the social and recreational impli-
cations and restricted the oil industry where
necessary. One may quarrel with some of the
particular decisions reached by the State but
only on the basis of personal preference or
bias...."

I have nothing further, Mr. Chairman.

23 GOV. ANDERSON: Is there anything further to be
24 brought before the Commission? (No response) There being
25 no further business, the meeting is adjourned.

26 ADJOURNED 11:05 A.M.

CERTIFICATE OF REPORTER

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, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing twenty-four pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California, on December 16, 1965.

Dated: Los Angeles, California, January 5, 1966.

Louise H. Lillico

1 Association, Inc.

2 (f) Franco Wyoming Oil Company -- Approval of
3 assignment of an undivided one-half interest in Compensatory
4 Royalty Agreement P.R.C. 2628.1, Sutter and Colusa counties,
5 to Mobil Oil Company.

6 (g) Phillips Petroleum Company -- Deferment of
7 drilling requirements under Oil and Gas Lease P.R.C. 2205.1,
8 through July 21, 1966. Lessee diligently conducted drilling
9 operations on the lease for two and one-half years prior to
10 required date for commencing operations, and completed last
11 well on March 27, 1964.

12 (h) Shell Oil Company -- Modification of Commission
13 action of May 23, 1965, to provide blanket consent under
14 Lease P.R.C. 3265.1, Orange County, to sublease to any
15 operators under contract to the lessee during the life of
16 the lease.

17 (i) Clear Lake Power Company -- Rescission of May
18 27, 1965, authorization for issuance of two-year prospecting
19 permit for geothermal energy, mineral waters, non-hydrocarbon
20 gases and minerals other than oil and gas on submerged lands
21 underlying Clear Lake, Lake County. Applicant declined to
22 execute acceptance of the permit.

23 (j) Eugene Sully Hancock, Jr. -- Rescission of
24 July 20, 1965, authorization for issuance of two-year pros-
25 pecting permit for geothermal energy, mineral waters, non-
26 hydrocarbon gases, and minerals other than oil and gas on

1 submerged lands underlying Clear Lake, Lake County.

2 Applicant declined to execute acceptance of the permit.

3 (k) S. I. Corporation -- Rescission of May 27, 1965
4 authorization for issuance of two-year prospecting permit for
5 geothermal energy, mineral waters, non-hydrocarbon gases,
6 and minerals other than oil and gas on submerged lands under-
7 lying Clear Lake, Lake County. Applicant declined to execute
8 acceptance of the permit.

9 MR. HORTIG: Mr. Chairman, it might be helpful to
10 the Commission to have an explanation as to the reason for
11 the recommendation for rescission of the authorization for
12 these applications, which has been discussed particularly
13 this week with the one applicant, S. I. Corporation -- the
14 principal reason being that recent exploration developments
15 and further geologic analyses have led this particular appli-
16 cant to focus their interest on the possibility of geothermal
17 energy elsewhere, particularly in Sonoma County -- where
18 they have applications pending before the State Lands Com-
19 mission for consideration in that county. Their own cor-
20 porate decision was that they would prefer to explore in
21 Sonoma County, rather than in Lake County under the permit
22 which was previously authorized by the Commission.

23 This is a matter of recent concern of the Senate
24 Natural Resources Committee, which held hearings last week
25 with respect to the provision of incentives and to provide
26 assistance to prospective developers of geothermal energy

1 on both State-owned and privately-owned lands, and I gave
2 this explanation with respect to these rescissions to indi-
3 cate that the State Lands Division is still interested in the
4 prospecting permit applications, even under the cumbersome
5 procedures which are required under existing statutes, and
6 that we still have applications pending, as well as issued
7 under which exploration is going forward.

8 The consultant to the Senate Natural Resources
9 Committee, Mr. Ford B. Ford, is here at this meeting today
10 and I felt that this explanation might be of assistance for
11 the record of his committee, and also gave the opportunity
12 to inquire whether Mr. Ford wishes to make any statement to
13 the Commission with respect to this field in which he is
14 particularly interested.

15 GOV. ANDERSON: Mr. Ford, would you like to com-
16 ment on these items? Would you identify yourself?

17 MR. FORD: Ford B. Ford, Executive Secretary,
18 Senate Natural Resources Committee.

19 The committee did hold two days of field trips and
20 a public hearing on the subject of geothermal minerals and it
21 became evident during the hearing with regard to State lands
22 that the prospectors had found some problems with the pros-
23 pecting permit, the lease provisions. They seem to them to
24 be unrealistic and it was their hope that something could be
25 developed that generally paralleled the Federal legislation
26 now pending on this subject; and some requests have gone

1 before the Governor; I understand, directed toward including
2 this in a special call item.

3 I understand there is no real problem other than
4 making necessary changes as befits your feelings and those of
5 the companies that are currently in the field, working togeth-
6 er with our committee to develop the legislation; and we will
7 be in contact with the State Lands staff for that purpose.

8 GOV. ANDERSON: Is this a procedure that can be
9 changed only by State legislation? Nothing our staff can
10 do alone?

11 MR. FORD: That's my understanding.

12 MR. HORTIG: Actually, I think I should clarify
13 only very slightly. A portion of the problems that are
14 existent could be resolved by Commission action and this is
15 under discussion with some of the applicants now on revised
16 provisions that might be adopted by the Commission; but the
17 complete resolution of all of the problems will require new
18 legislation.

19 The problem is very simply that the Legislature in
20 1921 prescribed a prospecting permit procedure designed to
21 provide for effective permits and explorations for high unit
22 value material -- gold -- and never had in mind the necessity
23 of using the same statutes and rules and regulations to apply
24 to an exotic situation such as geothermal energy. Conse-
25 quently, the administrative procedures under existing statutes
26 must be cumbersome, to say the least, and it would be

1 preferable, particularly to give the incentive to an entirely
2 new industry, to have effective legislation which will really
3 permit optimum development of this type of energy.

4 MR. SHEEHAN: We could modify it only in a minor
5 way?

6 MR. HORTIG: That is correct, but we are still
7 working on it -- even to the minor extent that we can.

8 GOV. ANDERSON: Your reference to "unrealistic"
9 would apply to the 1921 statute?

10 MR. FORD: That's correct -- not the Lands Commis-
11 sion policy.

12 GOV. ANDERSON: Because we feel our State Lands
13 Commission is a very realistic body.

14 MR. FORD: Thank you.

15 GOV. ANDERSON: Applicant (l) -- Pacific Gas and
16 Electric Company -- Issuance of ten-year renewal of Lease
17 P.R.C. 495.1, covering 50-foot-wide pipeline easement, 0.767
18 acre ungranted sovereign land in Latham Slough, San Joaquin
19 County, at total rental of \$289.80.

20 (m) Pacific Gas and Electric Company -- Issuance
21 of ten-year renewal of Lease P.R.C. 497.1, covering 50-foot-
22 wide pipeline easement, 0.537 acre ungranted sovereign land
23 in Middle River, San Joaquin County, at total rental of
24 \$202.90.

25 (n) Pacific Gas and Electric Company -- Issuance
26 of ten-year renewal of Lease P.R.C. 498.1, covering 50-foot

1 pipeline easement, 0.702 acre tide and submerged land in
2 Old River, Contra Costa and San Joaquin counties, at total
3 rental of \$265.20.

4 (o) Pacific Gas and Electric Company -- Issuance
5 of ten-year renewal of Lease P.R.C. 499.1, covering three
6 separate 50-foot-wide gas-pipeline easements across un-
7 granted sovereign land in Whiskey Slough, San Joaquin County
8 at total rental of \$100 for each of the three parcels.

9 (p) Pacific Gas and Electric Company -- Issuance
10 of 15-year easement across 0.057-acre strip of tide and sub-
11 merged lands of Taylor Slough, Contra Costa County, for
12 submerged 4½-inch gas line, at total rental of \$332.70.

13 (q) Pacific Gas and Electric Company -- Issuance
14 of 15-year easement, 0.826 acre tide and submerged lands of
15 Monterey Bay, Monterey County, crossing bed of Old Salinas
16 River, which is under jurisdiction of the Moss Landing
17 Harbor District, for discharge pipes from upland power plant,
18 at annual rental of \$52.96.

19 (r) Occidental Petroleum Corporation -- Issuance
20 of permit to conduct geophysical operations, Solano and
21 Contra Costa counties.

22 MR. HORTIG: Mr. Chairman, when this item was pre-
23 pared, including the recommendation as it appears on pages
24 26 and 27 of your agenda, the Wildlife Protection Branch of
25 the Department of Fish and Game had requested that the ex-
26 ploration work be restricted to the period February 1 to

1 September 1.

2 We have just been informed this morning of the
3 revised recommendation of the Wildlife Protection Branch
4 that this period may now extend from January 10 to September
5 1 and it is, therefore, recommended that the staff recommen-
6 dation be modified to reflect this revised approval by the
7 Wildlife Protection Branch of the Department of Fish and
8 Game.

9 GOV. ANDERSON: Then the motion to approve should
10 include the modification and the secretary will make note of
11 that.

12 MR. AGEE: Mr. Chairman, I have a further revision
13 I would like to suggest. I understand that Fish and Game
14 approved their permit for the period beginning January 6th.

15 GOV. ANDERSON: Would you identify yourself?

16 MR. AGEE: I am Flint Agee. I am with the United
17 Geophysical Company, representing Occidental. I understand
18 the Fish and Game permit was set forward to the 6th of
19 January and I would appreciate it if we could start our
20 Lands Commission permit on the 6th of January.

21 MR. HORTIG: If I may call on the other representa-
22 tive of Occidental Petroleum, who gave us the date which we
23 confirmed this morning of January 10th, maybe we can resolve
24 this problem.

25 MR. AUSTIN: I am W. J. Austin of the Occidental
26 Petroleum Corporation. I think what he is talking about,

1 the thing we had in mind originally was February 1st to
2 September 1st. Now the date of the permit, as I understand
3 it, would be from January the 2nd with the provision that we
4 can't go on Grizzly Island and the other island until January
5 10th; is that correct?

6 MR. HORTIG: This is our understanding and, there-
7 fore, this action by the State Lands Commission is to revise
8 the permit for as long as you have a concurrent permit from
9 Fish and Game, which would indicate January 10th will not
10 influence the rest of your operations.

11 MR. AUSTIN: Thank you very much.

12 GOV. ANDERSON: Now, what is the modification?

13 MR. HORTIG: The modification is only with respect
14 to the recitation on page 26 that the Department of Fish and
15 Game previously asked that work be restricted on Grizzly and
16 Hammond islands to the period February 1 to September 1.

17 It is now recognized that this has been revised
18 where they are willing to have work start on those specific
19 islands on January 10th, as early as January 10th, all of
20 which would be done under a permit issued by the State Lands
21 Commission effective January 2nd as to other areas and not
22 effective, in fact, until January 10th for Grizzly and Ham-
23 mond Island as requested by Fish and Game.

24 MR. SHEEHAN: And they go to September 1st?

25 MR. HORTIG: And to September 1st; this is correct.
26 Actually, the State Lands permit does not contemplate that

1 the operations will actually take this entire period, but
2 Fish and Game suggested it would be available and the Lands
3 Commission permit would only be through July 1, 1966. This
4 is all the time the operator really felt he needed.

5 GOV. ANDERSON: Secretary, you have that
6 modification?

7 REPORTER: Yes, sir.

8 GOV. ANDERSON: Applicant (s) Pan Petroleum Com-
9 pany, Inc. -- Issuance of six-month geological survey permit,
10 tide and submerged lands, Santa Barbara, Ventura, Los
11 Angeles, Orange, and San Diego counties.

12 (t) Elroy A. Richardson -- Issuance of five-year
13 recreational pier permit, 0.003 acre sovereign land in bed
14 of the Colorado River, Riverside County, for construction of
15 a float, for fee of \$25.

16 (u) Shell Oil Company -- Issuance of 49-year ease-
17 ment, 9.668 acres tide and submerged lands in the Santa Bar-
18 bara Channel, Santa Barbara County, for construction, opera-
19 tion and maintenance of submarine flow lines, at annual
20 rental of \$274.60.

21 (v) Union Oil Company of California -- Issuance of
22 15-year subsurface crossing easement, 7.66 acres ungranted
23 sovereign lands below a depth of 2,000 feet under Piper
24 Slough, Bethel Island, Contra Costa County (for purpose of
25 drilling for oil and gas and other hydrocarbon substances
26 from lands other than those of the State), at annual rental
of \$734.82.

1 MR. SHEEHAN: I'll move the adoption, with the
2 modification in (r).

3 MR. GRIFFITH: Second.

4 GOV. ANDERSON: Moved and seconded. Frank, I'd
5 like to ask a question. On the half a dozen items, where we
6 are renewing a lease, Pacific Gas and Electric items, this
7 is for a ten-year period for the most part, ten or fifteen-
8 year?

9 MR. HORTIG: Yes, sir.

10 GOV. ANDERSON: In view of our other procedures on
11 rate formulas, how does that apply on each of these? Have
12 you looked at the rental situation before establishing these?

13 MR. HORTIG: This is a continuation of the last
14 series of rates established by the Lands Commission. Recom-
15 mendations for changes in those rates are not ready for
16 presentation.

17 GOV. ANDERSON: These are the rates that pre-
18 viously applied?

19 MR. HORTIG: These are different than the rates
20 that previously applied under an earlier Commission and
21 earlier policy decision as to rental rates. These are now
22 in conformance with the rental rates established by the cur-
23 rent Commission.

24 GOV. ANDERSON: It has been moved and seconded
25 that all the items under Classification 3 be approved, with
26 the understanding that Application (r) be modified regarding

1 the dates as clarified by Mr. Hortig, and the secretary
2 has note of it, and it is carried unanimously.

3 Classification Number 4 -- City of Long Beach
4 (Pursuant to Chapter 29/56, First Extraordinary Session, and
5 Chapter 138/64, First Extraordinary Session):

6 (a) Determine that expenditure proposed in letter
7 dated 10/19/65 of approximately \$2,636,000 for construction
8 of a wharf and development of the back area at Berths 204-
9 205 on Pier "F" in the Long Beach Harbor District is in
10 accordance with the provisions of Chapter 138/64, First
11 Extraordinary Session.

12 Any comment on this, Frank?

13 MR. HORTIG: No, sir.

14 GOV. ANDERSON: (b) is to determine that expendi-
15 ture proposed in letter dated 10/27/65 of approximately
16 \$2,100,000 for construction of access roads for Pier "J" in
17 the Long Beach Harbor District is in accordance with the pro-
18 visions of Chapter 138/64, First Extraordinary Session.

19 (c) is to determine that expenditure proposed in
20 letter dated 10/27/65 of approximately \$1,470,000 for con-
21 struction of main trunk utility lines for Pier "J" in the
22 Long Beach Harbor District is in accordance with the provi-
23 sions of Chapter 138/64, First Extraordinary Session.

24 (d) is to find that the cooperative agreement
25 (Injection Well No. WI-11) between City of Long Beach, Rich-
26 field Oil Corporation, and Standard Oil Company of California,

1 provides that any impairment of the public trust for com-
2 merce, navigation or fisheries to which granted lands are
3 subject is prohibited; that the entering into and performance
4 of such agreement is in the public interest; and approve
5 said agreement on behalf of the State, pursuant to applicable
6 law.

7 MR. SHEEHAN: I'll move.

8 MR. GRIFFITH: Second.

9 GOV. ANDERSON: Moved, seconded. Any questions or
10 comments? (No response) If not, carried unanimously.

11 Item 5 -- Land Sales -- cleared with all State
12 agencies having a land-acquisition program:

13 (a) Authorize sale of 34.97 acres vacant State
14 school land, Shasta County, to the Department of Public
15 Works, Division of Highways, for \$8,743.

16 MR. SHEEHAN: I'll move.

17 MR. GRIFFITH: Second.

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

20 Item 6 is oil and gas lease offers:

21 (a) is to authorize Executive Officer to offer
22 approximately 5,546 acres tide and submerged land in Ventura
23 County for oil and gas lease - Parcel 31.

24 (b) is to authorize Executive Officer to publish
25 notice of the Commission's intention to consider offering a
26 lease for the extraction of oil and gas from approximately

1 3,339 acres tide and submerged lands in the counties of
2 Sacramento and Contra Costa, underlying the San Joaquin River,
3 False River, Taylor Slough, and Piper Slough - W.O. 5047.

4 MR. HORTIG: Mr. Chairman...

5 GOV. ANDERSON: Mr. Hortig.

6 MR. HORTIG: The resolution as it appears on page
7 44 of the agenda before you should read, in the description:

8 "Described as follows:

9 "Tide and submerged lands situate in
10 projected Sections 1, 2, 10, 11, 12, 14,
11 and 15, Township 2 North, Range 2 East;
12 projected Sections 2, 3, 4, 5, 6, 7, and..."

13 The correction is the addition of Section 6.

14 MR. GRIFFITH: What page is that?

15 MR. HORTIG: Page 44.

16 GOV. ANDERSON: The secretary has that correction?

17 (c) is to award to sole bidder, Atlantic Oil Com-
18 pany, oil and gas lease designated as W.O. 5584, containing
19 approximately 970 acres of land tidal in character; approxi-
20 mately 132.71 acres of certain reserved upland mineral inter-
21 ests; and approximately 75.7" acres underlying certain lands
22 acquired by the State for navigational purposes, for cash-
23 bonus payment of \$25,000.

24 MR. GRIFFITH: Move adoption.

25 MR. SHEEHAN: Second.

26 GOV. ANDERSON: Moved and seconded that items under
Classification 6 be approved, with the amendment as previously

1 brought up by Mr. Hortig, of adding in item (b) Section
2 Number 6. Carried unanimously.

3 Classification 7 -- Administration:

4 (a) Amend and adopt regulations in Title 2, Cali-
5 fornia Administrative Code, with amendments to be effective
6 thirty days after filing with the Secretary of State.

7 (b) Authorize Executive Officer to execute Service
8 Agreement with City of Benicia, County of Solano, providing
9 for surveying and platting services to be rendered the City
10 pursuant to the provisions of Chapter 18/64, at Commission's
11 actual costs not to exceed \$500.

12 (c) Confirm 1966 schedule of meetings of the State
13 Lands Commission.

14 MR. SHEEHAN: So move.

15 MR. GRIFFITH: Second.

16 GOV. ANDERSON: Moved, seconded, carried
17 unanimously.

18 Classification 8 -- Informative only, no Commis-
19 sion action required: (a) is report on status of major
20 litigation.

21 Mr. Abbott or Mr. Hortig, do you have anything
22 to report?

23 MR. HORTIG: Mr. Chairman the resume' reports con-
24 tinuing action in all the items of major litigation in which
25 the Lands Commission is involved and for which the Attorney
26 General's Office is counsel for the State Lands Commission,

1 but the actions have been procedural; there have been no
2 decisions. There have been no significant court proceedings
3 in connection with this litigation since the time of the
4 last report. However, the report is included here in order
5 that the Commission may have a current report of the status
6 of these actions.

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

8 Classification 9 is reconfirmation of date, time
9 and place of next Commission meeting -- Thursday, January 27,
10 1966, at 10 a.m. in Los Angeles.

11 MR. HORTIG: Governor, this has been modified by
12 agreement with all Commissioners to Wednesday, January 26th.

13 GOV. ANDERSON: Was that cleared with my office?
14 I know there was a recent question on this.

15 MR. HORTIG: It was, sir.

16 GOV. ANDERSON: What is it now?

17 MR. HORTIG: Wednesday, January 26th.

18 MR. SHEEHAN: In Los Angeles?

19 MR. HORTIG: In Los Angeles.

20 GOV. ANDERSON: With the understanding it was
21 cleared with my office, fine.

22 Classification 10 is approval of Eighth Modifica-
23 tion of the 1965 Plan of Development and Operations and
24 Budget, Long Beach Unit, Wilmington Oil Field.

25 Frank, do you want to comment on that?

26 MR. HORTIG: If I may report, Governor, on both

1 items 10 and 11, since they represent the Eighth and Ninth
2 and last modifications to come before the Commission in this
3 year of 1965 for approval of modifications which were necessi-
4 tated by the need to transfer funds -- no additional funds,
5 but within the total amounts originally approved by the
6 State Lands Commission but for specific purposes and utiliza-
7 tion in development of the Long Beach Field.

8 The normal procedure would be and has been for
9 most of the modifications from one through seven for approval
10 of those modifications -- if technically acceptable and
11 legally approved by the Attorney General, those modifications
12 were approved by the Executive Officer and subsequently this
13 approval was confirmed by the Commission.

14 The data for these modifications having just been
15 received and just been evaluated, we are here really tele-
16 scoping the procedure by bringing the modification to the
17 Commission for initial approval, rather than confirmation.

18 The modifications are desirable only from the
19 standpoint of assuring the contractor that the operations
20 which were performed and for which funds have been expended
21 were, in fact, expended in accordance with an approved bud-
22 get, as approved by the State Lands Commission; and the
23 Eighth Modification does add the opportunity to expend or
24 commit in 1965 funds which are in the approved budget for
25 the 1966 year. These funds will probably not be expended in
26 1965 but in order that the contractor can be assured that he

1 can undertake the long-term contract for the furnishing of
2 electrical services in this instance and be assured, with-
3 out having to wait for subsequent approval by the State
4 Lands Commission, it is recommended that this modification
5 be approved this morning at this time.

6 GOV. ANDERSON: Mr. Abbott.

7 MR. ABBOTT: Mr. Chairman, this Eighth Modifica-
8 tion is the first problem that has come up. Chapter 138
9 requires plans of operation and budget for a period not ex-
10 ceeding one year. In order to successfully operate, the
11 contractor is going to have to go into long-term contracts,
12 such as this one for electrical facilities. Since there is
13 a remote chance that plans approved by the City and the
14 State Lands Commission might not contain this item, each of
15 these long-term contracts is going to have to have a penalty
16 provision to allow the contractor to get out of the contract.

17 This Eighth Modification is setting up in the bud-
18 get a contingent liability on this particular long-term con-
19 tract in the event some time in the next ten years the plan
20 as approved by the City and the State Lands Commission
21 changes this method of operation. This is going to come up
22 frequently, and this is the first one.

23 GOV. ANDERSON: Anything further, Frank? (No
24 response)

25 MR. SHEEHAN: Move.

26 MR. GRIFFITH: Second.

1 GOV. ANDERSON: Moved and seconded, approved
2 unanimously.

3 Item 11 -- Approval of Ninth Modification of the
4 1965 Plan of Development and Operations and Budget, Long
5 Beach Unit, Wilmington Oil Field.

6 Frank?

7 MR. HORTIG: That is included in the over-all
8 previous discussion. This is the item that is clearly a
9 re-allocation of accounting for the amounts of investment,
10 expense, working fund, contingencies and administration over-
11 head -- a difference in distribution from that originally
12 contemplated in the budget approved by the State Lands Com-
13 mission, but will not modify the total of \$13,785,000.

14 MR., SHEEHAN: Move approval.

15 MR. GRIFFITH: Second.

16 GOV. ANDERSON: Moved and seconded, carried unani-
17 mously. Anything further?

18 MR. HORTIG: Yes, Mr. Chairman. If I may, I have
19 two reports I should like to make for the information of the
20 Commission.

21 First, as the Commissioners will recall, the eastern-
22 most tract of tide and submerged lands within the Long Beach
23 City limits is an area in which the minerals are under the
24 jurisdiction of the State Lands Commission and are no longer
25 included under the tide and submerged lands grant to the City
26 of Long Beach -- so that the contracts awarded by the City of

1 Long Beach for the development of the area that was identi-
2 fied as Tract 1 and as approved by the State Lands Commission
3 did not include a portion of the tide and submerged lands
4 within the City of Long Beach.

5 It was recognized that it would be desirable that
6 this area under the jurisdiction of the State Lands Commis-
7 sion be included in the unit operations and be offered for
8 contract bid as expeditiously as possible. This procedure
9 was previously authorized by the Lands Commission and on
10 December 9th three bids were received for this tract of tide
11 and submerged lands under the jurisdiction of the State Lands
12 Commission and which, on award of contract, will be included
13 in the unit operations for the entire Long Beach unit of
14 operations.

15 The bidding procedure is fairly complex. In es-
16 sence it provided that there would be a base percentage of
17 the net profits payable to the State Lands Commission of
18 96.25 percent. This is the weighted average of the bids re-
19 ceived for all of the participants in connection with Tract 1
20 under the combined Long Beach City-State contract.

21 In addition, the biddable element was specified to
22 be a bid of a limited royalty offer to be paid on the first
23 six million barrels of oil which would be produced from
24 Tract 2, the State Lands Commission tract.

25 The bids which were received and which are now
26 under evaluation for report back to the Commission for award

1 of contract were:

2 A joint bid by Humble Oil and Refining Company and
3 Texaco Inc. offering a limited production payment or limited
4 royalty payment in addition to the 96.25 percent -- this
5 royalty, as I said, to be applicable to the first six million
6 barrels of oil, of 5.113 percent;

7 Pauley Petroleum Inc. bid 12.774 and Richfield Oil
8 Corporation 23.677 percent.

9 The combination is dependent upon the actual
10 production. Actual experience in development of net profits
11 clearly puts the combination of the 96.25 percent and 23.677
12 percent of the six million barrels of oil in the hundred per-
13 cent bid class; indeed, it may exceed one hundred percent,
14 ultimately possibly in the order of one hundred one percent.

15 That was Report Number 1.

16 MR. SHEEHAN: Pretty good report.

17 MR. HORTIG: Yes. I am happy to report that the
18 Governor's Advisory Commission on Ocean Resources met on
19 October 22nd and 23rd of this year to prepare recommendations
20 based on a review of the report entitled "California and Use
21 of the Ocean" which had been prepared by the Institute of
22 Marine Resources at Scripps Institute of Oceanography and
23 to include three subcommittee reports from subcommittees
24 which had been established, which are entitled "Evaluation
25 of Technological Manpower and Industrial Capabilities,"
26 (2), "Program Proposals in Marine Resources Development,"

1 and, (3), "Organizational Structure of the State for Research
2 and Management of Marine Resources."

3 The report of the subcommittee on Organizational
4 Structure of the State for Research and Management of Marine
5 Resources, which was accepted by the full Governor's Advisory
6 Commission on October 23rd, contains the following statement:
7 which I believe should be of particular interest to the
8 State Lands Commission, and I quote:

9 "In some instances, notably the offshore oil
10 development, the State has treated the resource
11 as if it were a business opportunity, has
12 planned competently, and at times even bril-
13 liantly and we see no reason that this class
14 of treatment will not continue in the future."

15 Continuing to quote:

16 "The State has established an excellent record
17 in its handling of the petroleum resources.
18 The story is relatively recent, dating to
19 the Federal Submerged Lands Act of 1953. The
20 written records show that early in the game
21 the executive and legislative branches
22 showed keen interest in trying to provide
23 a hospitable environment for the oil industry
24 so as to maximize the long term economic gain
25 to the State. At the same time it was cog-
26 nizant of the social and recreational impli-
cations and restricted the oil industry where
necessary. One may quarrel with some of the
particular decisions reached by the State but
only on the basis of personal preference or
bias...."

I have nothing further, Mr. Chairman.

23 GOV. ANDERSON: Is there anything further to be
24 brought before the Commission? (No response) There being
25 no further business, the meeting is adjourned.

26 ADJOURNED 11:05 A.M.

CERTIFICATE OF REPORTER

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, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing twenty-four pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California, on December 16, 1965.

Dated: Los Angeles, California, January 5, 1966.

Louise H. Lillico