

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

March 31, 1966

MEETING OF
STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA
March 31, 1966

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Alan Cranston, Controller, Chairman

Hon. Glenn M. Anderson, Lieutenant Governor

Hon. Hale Champion, Director of Finance, absent,
represented by:

Mr. John P. Sheehan, Chief Deputy Director
of Finance

Mr. F. J. Hortig, Executive Officer

Mr. George Mitrovich, Administrative Assistant
to Lieutenant Governor Anderson

Miss Patricia Kimball, Research Analyst,
Office of Controller

OFFICE OF THE ATTORNEY GENERAL:

Mr. Warren J. Abbott, Deputy Attorney General

APPEARANCE:

Mr. Walter P. Capaccioli, Attorney-at-Law,
representing Ceaser Giannecchini, et al,
and Deccaxagon Corporation

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>
1	Call to order		
2	Confirmation of minutes meeting of 12/16/65		1
3	PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:		
8	(a) Pacific Tel. & Tel.	22	1
9	(b) State Dept. Public Wks., Div. of Highways	21	2
10	(c) State Dept. Fish & Game	36	3
11	4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:		
13	(a) A. M. Burns	19	6
14	(b) Vernon Greenleaf	18	7
15	(c) Knights Landing Out- board Club, Inc.	2	8
16	(d) Pacific Gas. & Elec. Co.	23	9
17	(e) " " "	24	11
18	(f) " " "	10	13
19	(g) Southern Calif. Edison		
20	(1)	11	14
21	(2)	12	15
22	(3)	13	17
23	(4)	14	18
24	(5)	15	19
25	(6)	16	21
26	(h) Thomas P. Raley	20	27
27	(i) Cities Serv. Oil Co.	7	25
28	(j) Clipper Yacht Co.	38	26

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>
4 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE: cont'd			
(k) Karl Pierce, et al.	37	28	4
(l) Socony Mobil Oil Co. et al	33	29	4
(m) The Atlantic Refining Co (successor in interest to Richfield Oil Corp)	34	30	5
(n) Union Oil Co. of Calif. & Humble Oil & Refining Co	35	31	5
5 CITY OF LONG BEACH			
(a) Second-quarter drilling schedule dated 2/9/66 for Plan of Development and Operations & Budget, Long Beach Unit	31	32	5
(b) Third Modification of first quarter schedule of above	32	33	5
(c) Subsidence cost credit due State on Port of Long Beach Auth. Fund Exp. #13	8	34	6
6 LAND SALES			
(a) R. H. Emerson & Son, two parcels Humboldt County	9	36	6
7 MINERAL LEASING AND LEASES			
(a) Adoption modified form of Prospecting Permit for geo- thermal steam, etc.	3	39	6
(b) Issuance Ceaser Giannecchini et al of prospecting permit for geothermal energy, etc	4	44	23
(c) Same as above to Deccaxagon Corp.	5	48	28

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>
7 MINERAL LEASING & LEASES cont'd			
(d) Modification of resolutions 10/21/65 re applications of Deccaxagon and Giannecchini, et al.	6	52	28
(e) Authorization to offer 6 parcels Santa Barbara Channel for oil & gas lease:			
(1) Parcel 35	25	53) 29
(2) Parcel 36	26	55	
(3) Parcel 37	27	57	
(4) Parcel 38	28	59	
(5) Parcel 39	29	61	
(6) Parcel 40	30	63	
8 Rejection application Clear Lake Keys Company to lease submerged land Clear Lake, Lake County, etc.	17	65	40
9 ADMINISTRATION			
(a) Service Agreement with City of Stockton, Chapter 1700/65	1	66	41
10 INFORMATIVE - Litigation	39	67	41
11 NEXT MEETING			43
21 SUPPLEMENTAL:			
12 Natural Gas Processing Agreement, Tract No. 2	40	69	42

I N D E X
(In accordance with item numbers)

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

<u>ITEM ON</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>	<u>ITEM ON</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>
1	66	41	24	11	3
2	8	2	25	53	29
3	39	6	26	55	29
4	44	23	27	57	29
5	48	28	28	59	29
6	52	28	29	61	29
7	25	4	30	63	29
8	34	6	31	32	5
9	36	6	32	33	5
10	13	3	33	29	4
11	14	3	34	30	5
12	15	3	35	31	5
13	17	3	36	3	1
14	18	3	37	28	4
15	15	3	38	26	4
16	16	3	39	67	41
17	65	40			
18	7	2	<u>SUPPLEMENTAL:</u>		
19	6	2	40	69	42
20	22	4			
21	2	1			
22	1	1	<u>NEXT MEETING:</u>		
23	9	2			43

1 MARCH 31, 1966 - 10:07 A.M.

2
3 MR. CRANSTON: The meeting will come to order.

4 The first item is confirmation of minutes of meet-
5 ing of December 16, 1965. If there is no objection or amend-
6 ment, the minutes are approved as submitted.

7 Item 3 -- Permits, easements, and rights-of-way to
8 be granted to public and other agencies at no fee, pursuant
9 to statutes:

10 (a) The Pacific Telephone and Telegraph Company --
11 Approval for location of submerged communications cable across
12 ungranted sovereign lands of Big River, Mendocino County.
13 Proposed crossing approximately 679 feet long and 50 feet
14 wide.

15 (b) State Department of Public Works, Division of
16 Highways -- One-year right-of-entry permit, to construct a
17 fixed-span vehicular bridge within a 200-foot strip of
18 sovereign land in Napa Slough, Solano and Napa counties.
19 (The bridge will accommodate an access road to run from State
20 Highway 37 to the Naval Reservation on Skaggs Island.)

21 (c) State Department of Fish and Game -- Permit to
22 dredge approximately 1,000 cubic yards of material from each
23 of six locations in Montezuma Slough, Solano County, for
24 reclamation and flood control.

25 Motion is in order.

26 MR. SHEEHAN: Move approval.

1 GOV. ANDERSON: Second.

2 MR. CRANSTON: Approval moved, seconded, and so
3 ordered.

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

7 (a) A. M. Burns -- Five-year recreational minor-
8 structure permit, 0.052 acre sovereign lands in Piper Slough,
9 Contra Costa County, for fee of \$25, for construction of
10 floating boat-shed and walkway.

11 (b) Vernon Greenleaf -- Five-year recreational
12 minor-structure permit, 0.052 acre sovereign lands in Piper
13 Slough, Contra Costa County, for fee of \$25, for construction
14 of floating wharf and walkway.

15 (c) Knights Landing Outboard Club, Inc. -- Five-
16 year recreational minor-structure permit, 0.076 acre sovereign
17 land in the Sacramento River, Sutter County, for fee of \$25,
18 for maintenance of a floating wharf.

19 (d) Pacific Gas and Electric Company -- Overhead-
20 transmission-line easement across Alameda Creek, Alameda
21 County, over Parcel 1, encompassing 0.392 acre of land ac-
22 quired by the State in exchange with Leslie Salt Co., encum-
23 bered by a perpetual easement granted to applicant prior to
24 acceptance by State; and Parcel 2, encompassing 0.273 acre
25 contiguous to Parcel 1 and unencumbered, being part of
26 original bed of Alameda Creek, for which total rental is to

1 be \$300.90 for 15-year easement.

2 (e) Pacific Gas and Electric Company -- Amendment
3 and reissue of Lease P.R.C. 1518.1, covering an easement for
4 an existing overhead transmission line across Alameda Creek,
5 Alameda County, for Parcel 1 encompassing 0.405 acre of land
6 acquired by the State in exchange with Leslie Salt Co., encum-
7 bered by a perpetual easement granted to applicant prior to
8 acceptance by the State; and Parcel 2, containing 0.273 acre
9 unencumbered State land, being part of the last natural bed
10 of Alameda Creek, for which total rental is to be \$50 for a
11 49-year easement commencing May 13, 1955.

12 (f) Pacific Gas and Electric Company -- Amendment
13 of Lease P.R.C. 513.1 to reduce width of crossings from 100
14 to 50 feet, covering six power-line crossings of tide and sub-
15 merged lands in the Klamath River, Humboldt County, containing
16 a total reduced acreage of 1.763 acres, and ten-year renewal
17 of amended lease at total rental of \$809.

18 (g) Southern California Edison Company -- Six
19 15-year overhead-wire-crossing easements, commencing April 1,
20 1962, across State school lands, Inyo County for construction,
21 operation and maintenance of overhead electric power lines, as
22 follows: and then they are itemized.

23 (1 - 2.826 acres - total rental \$297.90
24 2 - 3.061 acres - total rental \$297.90
25 3 - 3.048 acres - total rental \$446.85
26 4 - 2.933 acres - total rental \$297.90
27 5 - 3.747 acres - total rental \$188.70
28 6 - 1.717 acres - total rental \$168.75)

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

(h) Thomas P. Raley -- 15-year lease of: Parcel 1, 2.924 acres submerged land in Sacramento River bed, Yolo County, at annual rental of \$4,203.70; and Parcel 2, 4.12 acres swamp and overflowed land at Broderick, Yolo County, at annual rental of \$5,918.28 on which there are conflicting title claims as between the State and applicant. In event of decision adverse to the State, any rent on Parcel 2 to be credited to rental accruing for Parcel 1. Lease to be issued without prejudice to either party in any subsequent determination of title to Parcel 2.

(i) Cities Service Oil Company -- Six-month geological survey permit, for the period April 1, 1966 through September 30, 1966, to drill core holes in California state waters from the Oregon border to the Mexican border; Del Norte, Humboldt, Mendocino, Sonoma, Marin, San Francisco, San Mateo, Santa Cruz, Monterey, San Luis Obispo, Santa Barbara, Ventura, Los Angeles, Orange, and San Diego counties.

(j) Clipper Yacht Company -- Permit to dredge approximately 16,000 cubic yards of silty clay from 1.93 acres tide and submerged lands in Richardson Bay, Marin County, at a royalty of \$0.05 per cubic yard.

(k) Karl Pierce, et al. -- Deferment of operating requirements for the lease-year ending April 13, 1966, on Mineral Extraction Lease P.R.C. 2150.2, San Luis Obispo County.

(l) Socony Mobil Oil Company, Inc., et al. --

1 Deferment of drilling requirements under Oil and Gas Lease
2 P.R.C. 2726.1, Santa Barbara County, through November 3, 1966.

3 (m) The Atlantic Refining Company (successor in
4 interest to Richfield Oil Corporation)-- Deferment of drill-
5 ing requirements under Oil and Gas Lease P.R.C. 2793.1, Santa
6 Barbara County, through October 26, 1966.

7 (n) Union Oil Company of California and Humble Oil
8 & Refining Company -- Deferment of drilling requirements under
9 Oil and Gas Lease P.R.C. 3004.1, Santa Barbara County, through
10 December 1, 1966.

11 That concludes Item 4.

12 GOV. ANDERSON: Move.

13 MR. SHEEHAN: Second.

14 MR. CRANSTON: Moved, seconded, and approved
15 unanimously.

16 5 -- City of Long Beach (Pursuant to Chapter 29/56,
17 1st. E.S., and Chapter 138/64, 1st E.S.):

18 (a) Approval of second-quarter drilling schedule,
19 dated February 9, 1966, for the 1966 Plan of Development and
20 Operations and Budget, Long Beach Unit, with the condition
21 that Executive Officer approval shall be obtained prior to
22 the injection of water into Ranger Zone Injection Well J-541 I.

23 (b) Approval of Third Modification of the 1966 Plan
24 of Development and Operations and Budget, Long Beach Unit
25 (the first-quarter drilling schedule, revised February 9, 1966)
26 subject to the condition that Executive Officer approval shall

1 be obtained prior to injection of water into Ranger Zone
2 Wells J-150, J-163, J-413, J-417, J-433, and J-544.

3 (c) Determine that the subsidence costs subsequent
4 to April 1, 1956, and the State's share of such subsidence
5 costs in the Port of Long Beach Authorized Fund Expenditure
6 Number 13 that are deductible from oil revenue payable to the
7 State, for Transit Shed, Berths 20-21, Pier C, should be
8 \$10,990.46 instead of \$22,104.80, with credit due State of
9 \$11,114.34.

10 GOV. ANDERSON: I move.

11 MR. SHEEHAN: Second.

12 MR. CRANSTON: Approval moved, seconded, and so
13 ordered unanimously.

14 6 -- Land Sales:

15 (a) Authorization for sale to R. H. Emmerson & Son,
16 the highest qualified bidder, of 85.63 acres State school
17 land, Humboldt County, at \$29,280 for Parcel No. 1 containing
18 43.18 acres (total appraised value \$23,725.25); and at \$53,040
19 for Parcel No. 2, containing 42.45 acres (total appraised
20 value \$36,773.59.)

21 MR. SHEEHAN: Move approval.

22 GOV. ANDERSON: Second.

23 MR. CRANSTON: Approval moved, seconded, so ordered
24 unanimously.

25 7 -- Mineral leasing and leases:

26 (a) Approval and adoption of modified form of

7
1 Prospecting Permit approved April 29, 1965, as the form to be
2 utilized for prospecting permits for geothermal steam and
3 related products.

4 GOV. ANDERSON: Can I break in here?

5 MR. CRANSTON: Yes.

6 GOV. ANDERSON: Mr. Hortig, I received a call a
7 while ago from Senator Begovich and he referred to Senate
8 Bill 44, relative to leases in the area next to some of
9 these items that are referred to. Did he talk to you about
10 this?

11 MR. HORTIG: No.

12 GOV. ANDERSON: Senate Bill 44 is coming up for a
13 full hearing this week and his recommendation was -- and I
14 understood he was talking for the other members of his com-
15 mittee, or with their knowledge -- that he hoped we would not
16 take action on anything that would conflict with anything
17 they were holding their hearing on; and I assume you know
18 which ones would not conflict. In looking at these, they
19 seem to be on the same subject covered by that bill.

20 Do you know what they are talking about?

21 MR. HORTIG: Yes, Governor. A little history is
22 outlined on page 39 of your agenda -- not with respect to
23 any specific application for permit, but a form of permit
24 which might be used for exploration for geothermal energy
25 on lands on which the minerals only have been reserved to the
26 State and the surface is reserved to a private landowner.

1 This item originally appeared on the January 26,
2 1966 agenda, but was deferred at the request of the Senate
3 Fact Finding Committee on Natural Resources.

4 Subsequently on March 1st, again at the request of
5 the Senate Fact Finding Committee on Natural Resources, fur-
6 ther deferment was rescinded in that Senator Farr reported
7 at that time that it was felt by the Senate Fact Finding Com-
8 mittee that due to the pendency of Senate Bill 44, which had
9 been introduced as a special session item, it was no longer
10 necessary to ask the Commission to withhold action and to
11 withhold processing any of the pending applications that it
12 had before it under the existing law -- with the anticipation
13 if Senate Bill 44 became law, by its conditions permits under
14 the existing law would be modified and transferred to new
15 forms of permit under Senate Bill 44, under action of that
16 law, and there was no reason for further deferment by the
17 Lands Commission.

18 GCV. ANDERSON: You mean what we would do would be
19 under the bill?

20 MR. HORTIG: No -- Permits not issued heretofore
21 and those that the Commission has issued under the existing
22 law - - Any permits and applications existing at the time
23 Senate Bill 44 might become effective would be converted to
24 new permits and new leases, with new conditions as provided
25 in Senate Bill 44.

26 GOV. ANDERSON: In other words, every one we would

1 be allowing here now -- we would accede to their being changed
2 according to the new law?

3 MR. HORTIG: As far as permits, yes.

4 GOV. ANDERSON: I mean -- the people who would get
5 these permits, are they going to agree to a law they don't
6 know about?

7 MR. HORTIG: This is the problem.

8 GOV. ANDERSON: I am not clear on this. It would
9 seem to me if there is a bill pending which they indicate
10 makes changes in this, and if there is to be a full hearing
11 on this next week -- and we expect to be out of here in not
12 too long a time -- it seems to me anything that falls within
13 this bill ought to be deferred.

14 MR. HORTIG: Starting with the history on how it
15 has been deferred and the deferment has been rescinded at the
16 request of the Natural Resources Committee, then Senate Bill
17 44 -- which was introduced after the last meeting of the State
18 Lands Commission -- was referred to the Senate Committee on
19 Governmental Efficiency, of which Senator Begovich is a
20 member.

21 As of yesterday afternoon, the first hearing was
22 scheduled on Senate Bill 44 and with author's amendments it
23 was sent out for reframing and hearing next Wednesday.

24 Additionally, this morning I received the following
25 letter, signed by E. B. Towne, Agent for the S. I. Corporation:

26

1 "Gentlemen:

2 Re: Geothermal Senate Bill 44 ..."

3 MR. CRANSTON: What corporation is that?

4 MR. HORTIG: S. I.

5 MR. CRANSTON: What is that?

6 MR. HORTIG: This is the name of the corporation,
7 S. I. Corporation.

8 "Senate Bill Number 44, covering the explora-
9 tion and development of geothermal steam, is
10 before the Governmental Efficiency Committee
11 of the California State Senate, and this
12 Committee has scheduled a full hearing on
13 this bill for April 6, 1966.

14 "As you know, Senate Bill 44 affects the
15 present law covering prospecting permits and
16 leases on State lands. The undersigned is
17 one of several companies that is opposed to
18 Senate Bill 44.

19 "S. I. Corporation has on file with the
20 State Lands Commission four applications
21 for permits and is willing to have these
22 applications delayed pending disposition
23 of this bill.

24 "We believe it would be to the best interest
25 of the State if all applications filed with
26 the Commission be delayed until after
April 6, 1966.

Yours very truly,

S. I. Corporation"

-- which is in concert with the thinking that you have just
reported from Senator Begovich.

On the other hand, on the other side of the course,
we do have for the Commission's approval as items (b) and (c)
two applications for prospecting permits under existing law

1 from the owners of the surfaces of the lands overlying lands
2 in which the minerals have been reserved to the State, who
3 are willing to accept and wish to accept a permit pursuant to
4 application under existing State law and pursuant to which the
5 State Lands Commission has heretofore granted other permits
6 and leases.

7 The applicants are represented here today and in
8 connection with this and their reaction as to what effect the
9 future law might have on their position and the acceptability
10 of permits at the present time, I would like to suggest that
11 the Chairman might wish to call upon them for presentation
12 first hand of their reaction to this problem.

13 MR. CRANSTON: Yes, we should hear from them and
14 we would like to.

15 MR. CAPACCIOLI: My name is Walter Capaccioli. I
16 am an attorney-at-law, practicing law in South San Francisco.
17 I represent the following persons who have pending before this
18 Commission four applications. I represent:

19 Mr. Ceaser Giannecchini, Mr. Albert E. Ottoboni,
20 Mr. Antonio Ottoboni, Louis Ottoboni, David Ferrari, Elmer
21 Ferrari, Peter Mazzanti, John Giampaoli, Ilva Filippi Giampaoli,
22 Ione Giovannetti Ottoboni Pellegrini, Patricia Ione Ottoboni,
23 James Bartholomew Ottoboni, and Louise Carolyn Ottoboni; and
24 I also represent another tongue-twister, the Deccaxagon Cor-
25 poration, who also has two applications.

26 We are unalterably opposed at this time to any

1 further delays with respect to our applications, and I will
2 state the reasons:

3 It seems to us unfair to delay any further the
4 applications, which, incidentally have been pending -- two of
5 which have been pending since September 15, 1964 and October
6 8, 1964; the other two pending since February the 4th, 1965,
7 and February 24, 1965, -- it's unfair to further delay simply
8 because there is a bill now pending, with some uncertainty as
9 to its initial ultimate passage.

10 It seems to us that the delays have been long and
11 tedious and should now be called to a halt. We have complied
12 in every respect with your requirements and Public Resources
13 Act 6891. We are entitled to these applications as a matter
14 of right. We are qualified applicants according to the find-
15 ings of the Attorney General's Office, which I assume has al-
16 ready passed upon our applications.

17 The land has been classified as not containing
18 commercially valuable mineral deposits.

19 We feel that any further delay will work a prejudice
20 on our clients, and for these reasons I would simply ask that
21 the delays be brought to a halt and we be allowed to proceed.

22 As it stands now, there is a workable - - there is
23 some machinery in the law that would permit us to proceed on
24 these applications and we would respectfully ask that we be
25 allowed to proceed with them. The fact that the law may be
26 changed makes no difference. We are willing to accept any

1 conditions. In fact, a denial now would be a denial of due
2 process -- any further delay would be a prejudice to our
3 clients.

4 GOV. ANDERSON: Why has there been a delay since
5 October 1964?

6 MR. HORTIG: That is a two-part delay -- the first
7 delay occasioned by the fact that the Commission had previ-
8 ously authorized prospects to the same applicants, which the
9 applicants on a re-reading of the terms and conditions did
10 not accept.

11 GOV. ANDERSON: I mean did we cause a delay in
12 September 1964?

13 MR. CAPACCIOLI: Let me answer.

14 MR. HORTIG: If I may complete, the delay is in
15 effect two steps: One, the fact that the applicants did not
16 choose to accept finally the standard form of prospecting
17 permit which was authorized for issuance by the State Lands
18 Commission.

19 Subsequent negotiations and discussions with these
20 applicants, as well as others, resulted in a conclusion that
21 it would be desirable to adopt a modified form of prospecting
22 permit; and it is this modified form of prospecting permit
23 that is item (a) on the agenda before you today, which would
24 remove the objections which the applicants had to the original
25 form of permit.

26 GOV. ANDERSON: So they, in effect, objected to the

1 due process at the time and asked for a modification. They
2 could have come in in '64 and taken our agreement at that time,
3 or our proposal, and would be in there now?

4 MR. HORTIG: They would be permittees.

5 GOV. ANDERSON: Now, in the meantime, there is a
6 bill pending and the people of the State have been notified
7 that we are going to have a hearing this next week, and you
8 want us to go ahead?

9 MR. CAPACCIOLI: Let me answer, Governor. First of
10 all, the facts are correct. We did not do anything to delay
11 them between the time we filed them and October last year.
12 They came on your agenda in October and we approved them.

13 When we received the form permits, we found that
14 they were designed, not for applicants who owned the surface
15 rights, but for applicants who did not own the surface rights;
16 and one paragraph of your form specified that we give back
17 the land after the term of the permit expired.

18 We called this to the attention of the Attorney
19 General's Office and they agreed the terms did not fit the
20 situation -- we owned the surface, not the State; yet they
21 were drawn as though the State were the surface owner. So it
22 wasn't fair to us to accept those permits that did not fit
23 the particular facts.

24 GOV. ANDERSON: But that was the due process ...

25 MR. CAPACCIOLI: Remember, for over a year we did
26 not do anything. At that time we were advised that the terms

1 in your permits did not fit. We are certainly not required to
2 give back the land at the end of the period.

3 So I brought this to the attention of the Attorney
4 General's Office and they agreed they didn't fit, and they
5 rewrote them. Some of the changes -- in fact, many of the
6 changes -- were authored by the Attorney General's Office. I
7 have numerous correspondence in my file with the Attorney
8 General's Office in Los Angeles.

9 In fact, the title reads, if you will read the
10 permit:

11 "Permit to Prospect for Geothermal Energy,
12 Mineral Waters and for all Minerals other
than Oil and Gas on State Lands"

13 and these were our lands. We couldn't have accepted them;
14 they didn't fit.

15 MR. CRANSTON: May we hear Mr. Hortig's comments
16 on this point?

17 MR. HORTIG: Actually, in fact, the permit has been
18 utilized. It is the original form and, as Mr. Capaccioli out-
19 lined, can be construed to have been ambiguous. Obviously,
20 the Lands Commission never would have applied any such rever-
21 sionary conditions under a contract as to lands that the State
22 did not own. It was felt satisfactory to use this form of
23 permit originally because, patently, only that could be return-
24 ed to the State at the end of a permit which was owned by the
25 State at the beginning of the permit. Therefore, if the sur-
26 face owner was not the State, the surface would not be

1 returned to the State of California.

2 This left the area, however, from a strict contractu-
3 al standpoint, uncertain and a permittee dependent upon the
4 good faith of the State Lands Commission in the administra-
5 tion of the permit, which no previous permittee has had any
6 problem with.

7 Nevertheless, in order to at the same time update
8 the permit form for utilization on what was becoming an in-
9 creasingly popular subject of applications -- geothermal energy
10 for the first time -- it was obvious that the permit form
11 could be improved in addition to eliminating ambiguities, in
12 order to make it more directly applicable to the development
13 of geothermal resources.

14 So these two sets of improvements and elimination of
15 ambiguities were carried together through the Office of the
16 Attorney General; and it is the result of that processing,
17 that is, the modified form of prospecting permit, which is
18 before you today as item (a) and pursuant to which, in effect,
19 we have new applications from Mr. Capaccioli's clients on
20 lands for which they previously applied but on which they did
21 not accept the prior form of permit because of the objections
22 they raised and which they now desire to have permits in the
23 modified form issued to them under existing law.

24 MR. CRANSTON: As far as their objections that
25 caused this delay, from what I understand has been said about
26 it now, there was a rather logical reason for them to want a

1 change in the form -- which was not anything to their particu-
2 lar advantage but simply to have a form that suited the occa-
3 sion where they owned the surfaces.

4 MR. HORTIG: That is true.

5 MR. CAPACCIOLI: I may also add, Governor Anderson,
6 that when these permits were received I immediately telephoned
7 Mr. Jones of the State Lands Division and we thought we could
8 simply make the changes by interlineation. This is one of
9 the changes I suggested and we toyed with that little idea
10 for a week or so and nobody thought they had the authoriza-
11 tion to make the changes, which they thought were changes in
12 form, without approval by interlineation -- which I did on my
13 own permits.

14 Then we found in talking with the Attorney General
15 and certain people up there, they felt they couldn't do these
16 things without your approval.

17 We brought only one objection to Paragraph 27:

18 "Permittee at the expiration of this prospecting
19 permit or sooner termination thereof shall
20 deliver up and surrender possession of the lands
covered by this prospecting permit..."

21 Mr. Hortig soothes me, but didn't soothe my thirteen
22 clients when I told them. I explained to them that the State
23 probably wouldn't do anything about it, but you can't talk to
24 clients some times. So I took the most judicious attitude
25 and asked for the interlineation. We would have been happy
26 with the interlineations on Paragraph 27, but they thought of

1 other problems and wanted to change the whole thing. Then
2 you tell me we caused the delay.

3 GOV. ANDERSON: But don't tell us we denied you due
4 process. You are asking us to do something that is about to
5 be changed.

6 MR. CAPACCIOLI: You approved our application.

7 GOV. ANDERSON: Under the existing law. You asked
8 us to change.

9 MR. CAPACCIOLI: We are not talking about the exist-
10 ing law. We are talking about a bad form. Would you, in good
11 conscience, recommend that we accept Paragraph 27?

12 GOV. ANDERSON: I in good conscience recommend that
13 we wait until the Senate asks us to change it and then we can
14 go ahead.

15 MR. CAPACCIOLI: I want you to understand we didn't
16 initiate these delays. We are as sorry as you are they
17 occurred, but nothing has changed. The fact there is a bill
18 pending does not mean it is going to be passed. We are
19 speculating.

20 GOV. ANDERSON: What is the difference between the
21 thing they are proposing -- what are some of the major changes
22 we are really talking about?

23 MR. HORTIG: The major changes would permit appli-
24 cants and permittees to hold much larger acreages than are
25 permissible under present law and, additionally, the royalty
26 rates would be fixed by the Legislature and this would be the

1 only exception for an extractive lease where the royalty on
2 the lease is not fixed by the State Lands Commission in
3 accordance with the market value of the products being ex-
4 tracted and the economic conditions as they apply at the time
5 of the issuance of the permit.

6 GOV. ANDERSON: What rights do other people have
7 bidding on the same field where it is owned privately, then?
8 Isn't that one of the things the new bill affects?

9 MR. HORTIG: It does because it establishes classi-
10 fications of proven or unproven areas. As far as geothermal
11 resources are concerned, under the present law under a pros-
12 pecting permit, irrespective of the area within the permit,
13 the permittee may receive on discovery of commercially valu-
14 able mineral deposits -- or geothermal energy in this case --
15 a preferential mineral lease on not more than one hundred
16 sixty acres of the land held within the prospecting permit.

17 This one-hundred-sixty-acre limitation per permit
18 and per lease would be effectively eliminated under the new
19 law. There would be no restriction as to accumulation of
20 acreages until a large acreage -- I think 25,600 is the number
21 that sticks in my mind now -- has been accumulated by one
22 lessee or permittee.

23 MR. CRANSTON: Frank, is the group which is now
24 represented by the applicant before us, item (b)?

25 MR. HORTIG: (b) and (c) both.

26 MR. CRANSTON: They only want their matter before us

1 after we have acted on (a) favorably?

2 MR. HORTIG: That is correct.

3 MR. CRANSTON: Is there any part relevant to their
4 application other than this fact being clarified that the
5 land does not go to the State? Are there other aspects
6 important to them in terms of their application?

7 MR. HORTIG: Actually not, because within our nego-
8 tiation and discussion with them as to the problem with re-
9 spect to the original prospecting permit which was offered
10 and which was not accepted, the only objections that were
11 raised, as Mr. Capaccioli stated, were with respect to this
12 problem with the then Section 27 with respect to return or
13 a claim on the surface; and which he was willing to accept
14 with a modification as an interlineation in that one section
15 of the permit.

16 But since other questions had also been raised by
17 other applicants as to possible ambiguities and because the
18 original prospecting form was not designed to fit either a
19 non-State surface ownership or the extraction of geothermal
20 resources per se, it was felt desirable to include all the
21 improvements and all the modifications in a modified permit
22 form at that time; and these are incorporated in the modified
23 form proposed under item (a) before you today.

24 MR. CRANSTON: But the only portion of the new form
25 of prospecting permit that is of interest to you is the one
26 that would not claim the land?

1 MR. CAPACCIOLI: That was it originally, but the
2 Attorney General brought up other points.

3 MR. CRANSTON: Which other points?

4 MR. CAPACCIOLI: For instance, the Attorney General
5 changed the title...

6 MR. CRANSTON: You don't have to go through all of
7 them, but do others have relevance?

8 MR. CAPACCIOLI: We would have accepted that but
9 they are a whole package, part of a whole package, and this
10 is part of our discussion - - "A permittee shall remove all
11 derricks and remove"

12 MR. CRANSTON: Let me ask you this: If the Lands
13 Commission were simply to cover the single point that would
14 clarify the condition that the State has claim to the land,
15 you would proceed with your application?

16 MR. CAPACCIOLI: That's right.

17 MR. HORTIG: Under those circumstances, Mr. Chair-
18 man, the staff would have to recommend that modifications as
19 recommended at least to Section 24 of the permit, with respect
20 to indemnifying the State as against any loss, claim or dam-
21 age, would have to be modified as recommended in order to
22 cover the situation where the surface owner would assign or
23 sell his surface ownership, so that the State would be pro-
24 tected against any acts of any subsequent lessee to whom the
25 Commission had not issued the permit directly.

26 MR. CRANSTON: There is no such protection now ?

1 MR. HORTIG: No, sir -- because there isn't a
2 distinction now as to whether the State owns the surface or
3 whether a private landowner owns the surface, so this was not
4 necessary in that case.

5 MR. CRANSTON: Do you have any more questions?

6 MR. CAPACCIOLI: No, I have nothing more.

7 MR. CRANSTON: Anything more from the Commissioners?

8 (No response)

9 Is there anyone else who wishes to be heard on this
10 matter?

11 GOV. ANDERSON: If the law is not changed by the
12 Legislature, you would recommend that this new proposed
13 modification, Exhibit A, be adopted as our policy?

14 MR. HORTIG: That is right -- for geothermal energy
15 permits.

16 MR. CRANSTON: Then I guess my own feeling is dif-
17 ferent from yours, so it will be up to you to decide.

18 GOV. ANDERSON: I would have no objection to accept-
19 ing the proposed modification so we know what we are talking
20 about in case the Legislature does not act; but I surely would
21 not want to vote for anything involved in a hearing this com-
22 ing week. That would be giving someone an advantage of some
23 type or another over other people.

24 MR. CRANSTON: My own feeling on it is that since
25 the only apparent reason for delaying it was to clarify some-
26 thing which obviously should have been clarified for them, we

1 should approve it and make the change and proceed.

2 GOV. ANDERSON: Do you agree on item (a)? Do you
3 wish to adopt that?

4 MR. CRANSTON: It seems to me that we should.

5 GOV. ANDERSON: You would recommend that?

6 MR. HORTIG: Yes, sir.

7 GOV. ANDERSON: If you start picking out one or the
8 other, you may find yourself leaving something out.

9 This is the recommendation of the Attorney General's
10 Office?

11 MR. ABBOTT: Yes.

12 GOV. ANDERSON: I would move that we adopt this pro-
13 posed modification for our policy, as the future policy. I
14 am going to oppose anything further than that.

15 MR. SHEEHAN: I'll second that.

16 MR. CRANSTON: Is there any comment? That is just
17 on the modified form of prospecting permit. Any discussion
18 from anyone present? (No response) If not, approval is
19 made unanimous by the Commission.

20 Now, we come to the application under (b).

21 GOV. ANDERSON: I just feel it would be wrong for us
22 to do anything when there has already been stated that a pub-
23 lic hearing is to be held this coming week. People have been
24 notified of legislation that affects this very matter.

25 I am sorry we have delayed these people. I didn't
26 know we have delayed them this length of time and I do not

1 know why it took so long to get here since September 1964.

2 I would be in favor of having a special meeting in
3 a couple of weeks. For instance, if the Senate had their
4 hearing and defeated the bill, I would be in favor of a special
5 meeting, but as long as the bill is alive and on call of the
6 Governor, I think we should delay it.

7 MR. HORTIG: I may suggest to the Commission that
8 there are other items which will probably indicate the necess-
9 ity for a special meeting of the Commission about the middle
10 of April and such consideration could be calendared at that
11 time.

12 MR. CAPACCIOLI: May I make one statement, then I
13 promise I'll sit down. The existing law, I neglected to men-
14 tion to you, gives us a preference as surface owners. It is
15 doubtful whether the bill as proposed will do that.

16 GOV. ANDERSON: My impression is that the proposed
17 bill gives outsiders a crack at it.

18 MR. CAPACCIOLI: I think that is one more reason to
19 protect our interests, to take action today. This has been
20 under discussion since '64, then all of a sudden ...

21 GOV. ANDERSON: This is not something all of a
22 sudden. It is something the Legislature has been working on,
23 acting on, and the Governor has put it on call.

24 MR. CAPACCIOLI: You brought up a very good point.
25 And the person who owns the sub-surface there is something
26 that will be litigated in the future; I don't know.

1 MR. CRANSTON: Can you give us any pointers on
2 deferring or acting under present law or present procedures
3 when there is pending a revision in the Legislature?

4 MR. ABBOTT: Legal opinion -- whether you grant
5 these applications is in your discretion.

6 MR. CRANSTON: We understand that, but what are the
7 precedents of acting or not acting while the Legislature is
8 working on it?

9 MR. ABBOTT: I'd have to defer to Mr. Hortig on
10 that.

11 MR. HORTIG: The universal, uniform activity on the
12 part of the Lands Commission has been to continue to issue
13 permits, leases, and whatever has been in process pursuant to
14 valid applications at all times irrespective of whether legis-
15 lative changes were being contemplated in the Legislature --
16 because it could never be forecast with certainty that there
17 would or would not be such legislative changes effected in
18 the future.

19 The only time that the Lands Commission heretofore
20 has withheld action under existing law was pursuant to request
21 from legislative committees that such action should be with-
22 held because of the pendency of legislation or a study that
23 was being undertaken either by an interim or fact finding
24 committee.

25 GOV. ANDERSON: When there is a pending hearing the
26 following week you would give permits?

1 the Senate Governmental Efficiency Committee that has
2 scheduled this hearing on Senate Bill 44 on Wednesday, at
3 nine thirty.

4 MR. CRANSTON: Motion is in order.

5 GOV. ANDERSON: In the absence of another motion,
6 I would move that we defer the item until after the Legisla-
7 ture has taken this matter up.

8 MR. SHEEHAN: Do you consider we have a formal re-
9 quest from the committee to do this?

10 GOV. ANDERSON: I didn't go as far as that. I
11 don't know what Senator Begovich's position is on the
12 committee.

13 MR. HORTIG: He is a member of the committee. He
14 was in attendance in the hearing on Senate Bill 44.

15 GOV. ANDERSON: He called me. He didn't say, "I am
16 chairman of the committee," or talk about it in the name of
17 the committee. I didn't go that far. I am sure we can ask
18 him. He is in session right now. I am not sure what the
19 other members of the committee feel. When he called me, from
20 the way he worded it I assumed he was speaking for the commit-
21 tee. He might have been speaking only for himself.

22 MR. CRANSTON: It is my impression we do not have
23 a request from the committee itself. I don't know, but that
24 is my impression.

25 GOV. ANDERSON: Well, I move we defer the action
26 until a later date.

1 MR. HORTIG: Yes, sir -- because the outcome of the
2 hearing, I don't have to tell you, Governor, is something we
3 are not in a position to predict.

4 MR. MITROVICH: If there is a feeling that the present
5 law is somewhat inequitable and might discriminate against cer-
6 tain interested persons, then at such a time the Legislature
7 would determine whether or not it is inequitable in their
8 minds, to be sure no one is being discriminated against and
9 would not afford an advantage to one interested person against
10 another.

11 MR. HORTIG: This is a valid point, Mr. Chairman,
12 if I may respond. Of course, on the other side of the coin
13 there are those, including the S. I. Corporation, whose let-
14 ter I read this morning, who have stated, and I quote: "The
15 undersigned is one of several companies that is opposed to
16 Senate Bill 44," because of the contention that Senate Bill
17 44 is going to be inequitable.

18 Therefore, present law in their viewpoint is more
19 equitable as they analyze it, so we again have both sides of
20 the situation and the only rational basis for procedure by
21 policy commissions heretofore has been, as I say, to proceed
22 under existing law -- reflecting only deferments or other
23 considerations where requested by legislative committees who
24 have amendments pending or studies pending with respect to
25 the existing law. In fact, this is the substance of the
26 Governor's report from Senator Begovich, who is a member of

1 MR. CRANSTON: Is there a second?

2 MR. SHEEHAN: I'll move that we approve the
3 application.

4 MR. CRANSTON: I presume there is no second.

5 GOV. ANDERSON: I will not second it.

6 MR. CRANSTON: I'll approve that. It seems to me
7 we should proceed.

8 GOV. ANDERSON: And I wish to be recorded as voting
9 "No."

10 MR. CRANSTON: The move is seconded and adopted by
11 a two-to-one vote. That was on Application (b).

12 Now, we have Application (c). That's the only
13 other one in this category. The same motion on that?

14 MR. SHEEHAN: Same motion.

15 GOV. ANDERSON: And the same vote.

16 MR. CRANSTON: Moved, seconded, and the vote is
17 the same.

18 Then we have (d) which is modification of resolu-
19 tions adopted on October 21, 1965, in respect to applications
20 of Decolaxagon Corporation and Ceaser Giannecchini, et al., to
21 prospect for geothermal energy, to authorize the use of the
22 Amended Prospecting Permit Form as approved by the Commission
23 on March 31, 1966.

24 Is there any comment on that?

25 MR. HORTIG: No, sir. These are actually the two
26 that were not accepted in the prior form as outlined by Mr.

1 Capaccioli.

2 MR. CRANSTON: Is there any controversy on that?

3 GOV. ANDERSON: In the same line, I think. I feel
4 the same on item (d).

5 MR. SHEEHAN: I'll move.

6 MR. CRANSTON: Adoption is moved and seconded by
7 the Chair.

8 Item (e) Authorization for Executive Officer to
9 offer six parcels of submerged land in the Santa Barbara
10 Channel, Santa Barbara County, for oil and gas lease, as
11 follows:

12 (1) Parcel 35 (W.O.6075) containing 780 acres.

13 (2) Parcel 36 (W.O.6080) containing 600 acres.

14 (3) Parcel 37 (W.O.6085) containing 800 acres.

15 (4) Parcel 38 (W.O.6090) containing 1,315 acres.

16 (5) Parcel 39 (W.O.6095) containing 1,165 acres.

17 (6) Parcel 40 (W.O.6100) containing 1,340 acres.

18 Frank?

19 MR. HORTIG: Mr. Chairman, as shown on the maps
20 before the Commission, the parcels herein recommended for
21 lease offer are tide and submerged lands of Santa Barbara
22 County lying at the seaward edge of existing oil and gas
23 leases heretofore awarded by the Lands Commission between
24 Point Conception and the Elwood Oil Field to the east.

25 As you can see, the total acreage is only six
26 thousand acres for all six parcels; and, under the circumstances,

1 it would be the procedure for the staff in the call for bids
2 to group the six parcels into two offers of three parcels
3 each, with an intervening period of two or three days between
4 receipt of bids for the two groups of parcels, in order that
5 the total parcel offerings would be reduced at any one time
6 to approximately three thousand acres per unit -- which is
7 about the same order of magnitude as the minimum size parcels
8 that the Commission has heretofore offered in its sequential
9 bidding procedures.

10 The tentative schedule would be for three parcels
11 to have bids close on June 9th, which is a Thursday, and the
12 other three to close on June 14th, which is the following
13 Tuesday.

14 GOV. ANDERSON: I raised the point earlier with Mr.
15 Hortig that I questioned why these weren't put out one at a
16 time, with the feeling that we might get better bids; that
17 people would not have to put up their bid on all three items
18 or six, or whatever it was. That's when he informed me he
19 was putting up three at a time.

20 This is something that I am not entirely sure of,
21 but my feeling is that we would get more money if we put them
22 up one at a time. Frank tells me we won't and I think we
23 ought to hear some statements from him on this, because if it
24 is his judgment that this is the way we are going to get the
25 most money for the State, then I would go along with his
26 better judgment; but if there is any doubt in his mind that

1 we wouldn't get more money, if we put them up one at a time
2 a day in between, or whatever is necessary, all we have lost
3 is a little extra time and paper work.

4 I realize originally, when we were offering these
5 big acreage items, it was a thing of undeveloped area and we
6 were not exactly sure, no one was sure, what was going to be
7 there; but now we are talking about, I believe, something not
8 entirely knowledgeable but something we know a lot more about
9 and although they are small in comparison -- six hundred to
10 thirteen hundred -- still six hundred acres is a pretty good
11 size piece of ground if we know there is oil under it.

12 We might get larger bids if we take one at a time
13 and that's a point on which I'd like to hear from Mr. Hortig.

14 MR. HORTIG: The difficulty of forecasting, of
15 course, Governor, is that we never have the luxury of a com-
16 parison retroactively to determine whether whatever practice
17 was taken by the Commission would yield more or less revenue,
18 because we never know what revenue would have been produced
19 under an alternative procedure. So this is all a matter of
20 estimating.

21 Considering the fact that the Commission's original
22 thesis for offering sequential leases and not offering many
23 on any one day was for the purpose of not requiring tremendous
24 capital in order to present the good faith deposits that are
25 required for a number of parcels and unsuccessful bidders
26 could use their capital for subsequent bid offers a day or

1 two later, this was related to and established as being
2 reasonable if no more than the maximum statutory size parcel
3 were offered at one time of 5,760 acres.

4 As a matter of fact, in mid-April or May we are go-
5 ing to have two parcels in excess of three thousand acres
6 each, which have been advertised and on which there has been
7 no suggestion whatsoever that there was any disadvantage as a
8 result of that offering.

9 GOV. ANDERSON: Are these proven fields, where we
10 know there is oil?

11 MR. HORTIG: No, and neither can this be said with
12 respect to these parcels.

13 GOV. ANDERSON: But you have pretty good reason to
14 suspect it is there. This is entirely different from an un-
15 developed area.

16 MR. HORTIG: They are all within areas that gener-
17 ally produce oil, all of the parcels which we are discussing;
18 although the accumulation of the oil and gas is limited and is
19 scattered throughout the total area. In other words, every-
20 thing from Point Conception to the Elwood Field does not
21 produce oil, but there are numerous oil structures and gas
22 structures within that total range.

23 Under these circumstances, if I might suggest,
24 Governor, another re-evaluation after discussion with you
25 this morning: I would suggest that we could and should recom-
26 mend to the Commission offering these six parcels in three

1 groups of two, with a two-day period intervening; in other
2 words, Thursday, June 9th; Tuesday, June 14th; Thursday,
3 June 16th -- under which circumstances, having reduced the
4 total acreage and the total number of parcels, the total
5 amount of capital necessary will be brought down to, I be-
6 lieve, anything that is within reason of anybody's capabili-
7 ties who is also capable of developing and operating these
8 parcels.

9 GOV. ANDERSON: 9th, 13th ...

10 MR. HORTIG: 9th, 14th, and 16th.

11 GOV. ANDERSON: Now, that wouldn't in any way
12 jeopardize our getting the money in time, and so on.

13 MR. CRANSTON: What reason is there for not going
14 all the way and not offering them separately?

15 MR. HORTIG: Simply mechanically I don't think the
16 additional advertising and additional processing costs would
17 be offset by any increased bids after we have judicially
18 selected the combination of two parcels for each of the
19 three dates.

20 MR. CRANSTON: What costs are you talking about?

21 MR. HORTIG: We haven't evaluated it -- total staff
22 time, publication in the newspapers, processing through State
23 Lands as well as the Attorney General's Office. It wouldn't
24 be great, but I still ...

25 GOV. ANDERSON: Don't you have the same processing?

26 MR. HORTIG: Two at a time is easier than one every

1 other day is the only difference. Alternatively, if the Com-
2 mission feels that there might be any advantage, the staff
3 would certainly undertake to put it out that way.

4 MR. SHEEHAN: Is it possible there would be any
5 advantage?

6 MR. HORTIG: I do not feel that there would be,
7 which is the reason why I recommended as a minimum subdivision
8 three offers of two parcels each because the objectives to be
9 accomplished -- to minimize the need for accumulated capital,
10 which is a percentage of the bid offer -- certainly would be
11 met by not having more than two parcels offered at one time.
12 Considering the size of the areas, we know that the bids --
13 even though they be excellent bids on an acreage basis --
14 because of the limited acreage, they are not going to be
15 astronomical.

16 MISS KIMBALL: Would the offerings be more attractive
17 if they were grouped into two?

18 MR. HORTIG: I believe not only from the standpoint
19 of needed capital -- no, I don't believe there would be any
20 advantage or it would make them any more effective..

21 GOV. ANDERSON: I would personally prefer to see
22 them one at a time.

23 MR. CRANSTON: I would, too.

24 MR. SHEEHAN: I do, too.

25 GOV. ANDERSON: I feel two is better than parcels
26 of three.

1 MR. CRANSTON: It seems to me the costs you are
2 talking about are really minimal. The experience in Long
3 Beach indicated you do get more competition. It was a dif-
4 ferent situation there, but it seems to me there is an oppor-
5 tunity for more competition.

6 MR. HORTIG: We are talking about a different situa-
7 tion than where we were offering proven, really proven, acre-
8 age at Long Beach.

9 Additionally, the bids were received every day at
10 Long Beach; and in this instance the recommendation for
11 sequential offering is that there be enough space in between
12 so that the smaller bidders, if we can so qualify them, have
13 the opportunity to transfer their capital from one bid to
14 another, which takes a time space of one or two days in be-
15 tween bids. At Long Beach there wasn't any time for this.
16 There was only twenty-four hours between and, patently, the
17 bidders having the capability of bidding on Long Beach had
18 their capital available.

19 GOV. ANDERSON: Doesn't this come into this? --
20 Because of the fact this is between what we thought was our
21 present lease limit, due to the difference of the nautical
22 miles and the new decision by the Federal Government, if the
23 Federal Government ever opens this up, whoever controls these
24 strips will have a great advantage in the bidding and know-
25 ledge of what is in the Federal field if the Federal Government
26 opens it up. Isn't this what makes up a great interest in

1 this thing?

2 MR. HORTIG: We are certainly hoping that our
3 prospective bidders feel this is the case, which is another
4 reason and an advantage as to why the Commission should offer
5 these at this time.

6 GOV. ANDERSON: For example, you take any one of
7 these things -- They can't get out to find out what is out
8 farther unless they have the next piece, even if it is a
9 reasonably small strip of six hundred to a thousand acres,
10 which is a pretty good piece of ground.

11 I would prefer to go for the one, if it does not
12 cause too much difficulty.

13 MR. CRANSTON: Do you want to make a motion?

14 GOV. ANDERSON: What dates could we work, Frank --
15 because you raised the point also with me, and I sure don't
16 want to disrupt our Department of Finance ...

17 MR. CRANSTON: I hope not.

18 GOV. ANDERSON: ... and I want to make sure whatever
19 we do gets in this fiscal year, so it will have to be timed
20 right.

21 MR. HORTIG: Under these circumstances, I would
22 recommend that the staff be authorized -- or directed, in
23 this instance -- to offer the first parcel either the latter
24 part of May or approximately June 1st, whichever day is appro-
25 priate, and offer the rest of the parcels sequentially with a
26 day intervening in between bid openings.

1 MR. SHEEHAN: We would have a twelve-day bidding
2 period, then.

3 MR. HORTIG: Twelve days over which bids would be
4 received.

5 MR. SHEEHAN: One intervening day between each bid.

6 GOV. ANDERSON: I so move.

7 MR. SHEEHAN: Second.

8 MR. CRANSTON: Approval of (e) is now pending before
9 the Commission, subject to this amendment that would make it
10 an individual offering with a one-day gap between each offer-
11 ing. Is there anybody here that wishes to be heard on this
12 matter? (No response) If not, the motion is made, seconded,
13 and so ordered unanimously.

14 GOV. ANDERSON: I want to ask Frank another question
15 on this. This morning he answered me fairly well, but I
16 thought I would ask it again, just so I know we are protected
17 in the future.

18 I am interested now in the question of not necessar-
19 ily unitization but the question of pressurization. What
20 control do we have in these leases if we find that there is
21 any indication of subsidence or if there is any need to get
22 better recovery? What protection do we have in our present
23 contracts that might be strengthened, or do you think we are
24 adequately protected at the present time?

25 MR. HORTIG: It is adequately covered insofar as it
26 is authorized in the law for the Commission to include

1 provisions in leases.

2 You have asked a two-part question, Governor, the
3 first being the question relative to subsidence. The lease
4 forms utilized by the State Lands Commission provide for
5 specific controls if there is ever any indication of land sub-
6 sidence, which fortunately has not been the case with any of
7 the areas leased by the State Lands Commission to date.
8 Nevertheless, the leases which have been utilized, I believe
9 for the last three years, provide specific control in the
10 Lands Commission -- ranging from shutting down the operation
11 until a development program can be devised which would permit
12 further operation with a prevention of subsidence if this can
13 be done in an effective repressurization, to whatever is nec-
14 essary to control the situation.

15 GOV. ANDERSON: In other words, we are in control.
16 We can move in immediately?

17 MR. HORTIG: Yes, sir.

18 GOV. ANDERSON: O. K. That's the first.

19 MR. HORTIG: As far as repressurization for increas-
20 ed economic recovery -- that is, of course, something that is
21 of direct interest to the State's lessee as well as the State
22 and we have, in fact, achieved enhanced economic recoveries
23 under approvals granted by the Lands Commission to lessees in
24 the Huntington Beach Field, where active repressurization
25 operations have been undertaken.

26 GOV. ANDERSON: But this is on their move -- they

1 are the ones that determine this?

2 MR. HORTIG: It is the lessee's option to agree,
3 but there are areas that are under discussion now where the
4 State Lands Division technical staff are the moving force in
5 suggesting and recommending consideration of such programs on
6 the part of the lessee.

7 GOV. ANDERSON: This was the part I was a little
8 vague on. It is to their advantage to get better recovery,
9 too; but I thought there would be some place where we would
10 initiate and they would agree with it. I am not entirely
11 sure of my ground on this, but I would like to see you look
12 into this a little deeper.

13 MR. HORTIG: The problem here, Governor, is that
14 the capital necessary for secondary recovery projects is
15 borne totally by the lessee under an oil and gas lease.
16 Therefore, it is proper that the lessee be at least in a
17 position to agree or not agree with the State Lands Division's
18 technical staff as to whether an operation should be under-
19 taken.

20 In distinction to this, in net profits arrangements,
21 such as the one in which the State is a party at Long Beach,
22 there the State, having full economic responsibility for the
23 development and the field effectively being developed with
24 State money, full control and even direction and requirement
25 that such operations be taken if desired by the State would
26 be under the control of the State Lands Commission, because

1 the Lands Commission there controls the operating and develop-
2 ment budget.

3 GOV. ANDERSON: It was that part that made me feel
4 we ought to have a little better control of some kind in
5 these fields as well.

6 MR. HORTIG: As I say, in a net profits arrangement,
7 here the thing is being developed essentially with State
8 money; whereas under these leases, it is being developed with
9 the lessee's capital. This is the basic distinction.

10 GOV. ANDERSON: I just want to raise it because I
11 think a little later I may want to go into it.

12 MR. CRANSTON: I presume we are ready to go on to
13 the next item, which is Item 8 -- Rejection of application of
14 Clear Lake Keyr Company to lease submerged land in Clear Lake,
15 Lake County, for maintenance of an existing system of piling
16 and floating logs to prevent debris and algae from the lake
17 proper from accumulating in the dredged canals which provide
18 lake access to the development, and authorization for the
19 Executive Officer to institute action for removal of unauthor-
20 ized structures, for the following reasons:

21 (1) Applicant has no littoral rights in the vicinity;

22 (2) Littoral owners have not consented to the in-
23 stallation, and have indicated their objections thereto;

24 (3) The Lake County Board of Supervisors has taken
25 no official stand and has not agreed to assume responsibility
26 for maintenance of the structure;

1 (4) The State Department of Fish and Game has
2 reported that the structure does not produce any noticeable
3 effect on the fish and wildlife of Clear Lake.

4 Motion is in order to reject.

5 MR. SHEEHAN: I'll so move.

6 GOV. ANDERSON: Second.

7 MR. CRANSTON: Moved, seconded. Any discussion?

8 (No response) If not, so ordered unanimously.

9 Item 9 - Administration -- (a) Authorization for
10 Executive Officer to execute a service agreement with the
11 City of Stockton, San Joaquin County, providing for surveying
12 and platting services to be rendered the City pursuant to the
13 provisions of Chapter 1700/Stats. 1965, at the Commission's
14 actual costs but not to exceed \$6,200.

15 MR. SHEEHAN: So move.

16 GOV. ANDERSON: Second.

17 MR. CRANSTON: Moved, seconded, so ordered.

18 Item 10 - Informative only -- no Commission action
19 required: (a) Report on status of major litigation.

20 Anything to report?

21 MR. HORTIG: There have been no new actions com-
22 menced in which the State Lands Commission is involved. This
23 is a report of the continuing status of those actions which
24 have been heretofore discussed with the State Lands Commission.

25 Of concurrent interest, Mr. Chairman, is the fact
26 that even as we are meeting here, there is a court session on

1 the injunction being sought by the Bay Conservation and
2 Development Commission against the City of Emeryville. The
3 latest flash this morning was that it was being continued.

4 MR. CRANSTON: Is that all on this item?

5 MR. HORTIG: Yes, sir.

6 MR. CRANSTON: We have one supplemental item -- Item
7 12: Request for approval of Natural Gas Processing Agreement,
8 Tract Number 2 Agreement, Long Beach Unit, Wilmington Oil
9 Field, Los Angeles County.

10 MR. HORTIG: The Commission will recall at the last
11 meeting having authorized the award of the contract and the
12 requirement for committing Tract 2, being the Alamitos State
13 Beach Park parcel in which the State is the owner of the
14 minerals, to the Long Beach Unit. As a corollary operation nec-
15 essary to completing this commitment, it is required that
16 there be approval of the gas processing contract to be effect-
17 ive April first, at the time of committing the tract to the
18 unit -- because after April first gas will be allocated to the
19 State's contractor and he will be accountable to the State for
20 this gas and consequently it is necessary that there be an
21 effective contract for accounting for this gas at that time.

22 It is recommended that the proposed contract, which
23 is in conformance with the general industry standards, as well
24 as those that are applicable to all other State oil and gas
25 leases, be approved for this purpose.

26 MR. CRANSTON: Motion is in order.

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'll move it.

MR. SHEEHAN: Second.

MR. CRANSTON: Approval moved, seconded, and so ordered unanimously.

Final item is date, time and place of next Commission meeting -- Thursday, April 28, 1966, ten o'clock, at Sacramento. If there is no objection, that continues to be the order.

We stand recessed.

ADJOURNED 11:20 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 forty-three 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 March 31, 1966.

Dated: Los Angeles, California, April 4, 1966.

Louise H. Lillico