

BEFORE THE STATE LANDS COMMISSION
OF THE
STATE OF CALIFORNIA

—O—

IN THE MATTER OF THE MEETING
OF THE STATE LANDS COMMISSION
HELD AT LOS ANGELES, CALIFORNIA.

TRANSCRIPT OF HEARING

Held on Tuesday, February 11, 1958,
in the Assembly Room, State Building,
at Los Angeles, California.

Reported by: John J. Rabasa, C.S.R.

APPEARANCES:-

For the State Lands Commission:

JOHN M. PEIRCE, Chairman

ROBERT C. KIRKWOOD, Member

LT. GOVERNOR HAROLD J. POWERS, Member

HERMAN H. KAVELER, Consultant, State Lands
Commission

C. H. KEPLINGER, Consultant, State Lands Commission

Staff Members in Attendance:

F. J. HORTIG, Executive Officer, State Lands
Commission

KENNETH SMITH, Supervising Land Title Examiner

JULIA ^{S.}~~P.~~ STAHL, Secretary, State Lands Commission

A. W. PFEIL, Mineral Resources Engineer, State
Lands Commission

Members of the Assembly Judiciary Subcommittee on
Tidelands:

BRUCE F. ALLEN, Chairman

RICHARD HANNA, Member

Others in Attendance:

HOWARD ^{S.}~~P.~~ GOLDIN, Attorney General's Office

S. M. ROBERTS, Director of Finance, City of Long
Beach

JAY L. SHAVELSON, Deputy Attorney General

PAUL K. HOME, Standard Oil Company

HAROLD A. LINGLE, Deputy City Attorney, City of
Long Beach

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1 LOS ANGELES, CALIFORNIA, TUESDAY, FEBRUARY 11, 1958

2 10:00 a.m. Session

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5 CHAIRMAN PEIRCE: The meeting will come to order.
6 I want to welcome assemblyman Miller and Assemblyman
7 Hanna, members of the Assembly Judiciary Subcommittee
8 concerned with tidelands oil development and related
9 matters, and they are seated at the head table to the
10 Lt. Governor's right, and I invite them to participate
11 in our discussion this morning, and I assure both of them
12 that we are very happy to have them present.

13 The first order of business is the approval
14 of the minutes of the meeting of the State Lands Commission
15 which took place on January 13, 1958. Copies have been
16 mailed to members of the Commission.

17 MR. KIRKWOOD: Recommend approval.

18 LT. GOVERNOR POWERS: I second the approval.

19 CHAIRMAN PEIRCE: The motion has been made and
20 seconded that the minutes be approved and so will be the
21 order.

22 Now, Mr. Hortig, did you want to say anything
23 at this time with respect to the next meeting of the
24 Commission?

25 MR. HORTIG: The next regular meeting of the State
26 Lands Commission should be planned, as is normally

1 necessary, due to certain time commitments, for early
2 in the month of March, Mr. Peirce. However, it is not
3 essential at this moment that the exact date of that be
4 set.

5 In accordance with the normal procedure, if
6 we may, we may check with the Commissioner's secretaries
7 as to the available date, probably the second week in
8 March for the next regular meeting.

9 CHAIRMAN: PEIRCE: All right.

10 LT. GOVERNOR POWERS: That will be in Sacramento?

11 MR. HORTIG: At that time, in as much as the
12 Legislature will again be in session, it will be planned
13 to schedule that meeting for San Francisco.

14 LT. GOVERNOR POWERS: Right.

15 CHAIRMAN PEIRCE: All right. Mr. Hortig, we have
16 the agenda before us, and what is your recommendation
17 for procedure in order to accommodate the convenience
18 of those who may wish to be heard this morning?

19 MR. HORTIG: In accommodating a maximum number in
20 attendance for a particular item, Mr. Chairman, it is
21 coincidental that this item is also item No. 1 on the
22 agenda, which is a matter of the Consulting Board review
23 of oil and gas leases on page 1.

24 Or January 13, 1958, Dr. H. Kaveler and Mr.
25 J. Wanenmacher of the firm of Keplinger and Wanenmacher
26 presented progress reports on surveys undertaken for the

1 Commission on oil and gas leasing procedures to secure
2 the best interests of the State under existing law. At
3 that time the Commission directed that final reports of
4 the Consultants be made public not later than the next
5 meeting date of the Commission. Copies of the final
6 jointreport of the Consultants have been distributed to
7 all organizations in attendance at the January 13th
8 meeting, with the Western Oil and Gas Association for
9 further distribution to the Association membership, and
10 to Assemblymen Allen, Burton, Hanna and Miller, members
11 of the Assembly Judiciary Subcommittee on Tidelands.
12 Dr. Kaveler and Mr. Keplinger are available to review
13 the joint report for the Commission.

14 A special subcommittee of the Western Oil and
15 Gas Association have prepared and submitted a draft of
16 proposed lease form, which is attached to your calendar,
17 gentlemen, in the latter pages, and representatives of
18 industry have requested an opportunity to present state-
19 ments on specific phases of the oil and gas leasing
20 policy under consideration.

21 CHAIRMAN PEIRCE: Two of the Consultants are here
22 today, Mr. Kaveler and Mr. Keplinger. Mr. Keplinger is
23 the partner of Mr. Wanenmacher, who was at the last meet-
24 ing of the Commission, and if the other two members of
25 the Commission concur, I would like to suggest that they
26 present their report to us today, particularly in

1 reference to the recommendations contained therein, and
2 then it may be that persons in the audience may desire
3 to ask questions in further amplification of the findings
4 and recommendations contained in the report, and then
5 it may be that the Commission should decide to take the
6 report under advisement and that will give an opportunity
7 to our staff to analyze the report and submit their
8 thinking with respect to the conclusions contained therein;
9 also, that will give others an opportunity to discuss
10 with us further the findings contained in the report.

11 Now, Mr. Kaveler, you are the first one to
12 appear on the scene in connection with this inquiry. Is
13 it your desire that you present the report or do you want
14 Mr. Keplinger to join you?

15 MR. KAVELER: Mr. Chairman, our suggestion is that
16 we give Mr. Keplinger an opportunity to appear and he
17 will present the report on behalf of the Consultants.

18 CHAIRMAN PEIRCE: All right. Mr. Keplinger, perhaps
19 it would be convenient for you to stand at the rostrum
20 where you can be heard more readily.

21 MR. KEPLINGER: Mr. Chairman, members of the
22 Commission: On behalf of the Consultants we want to
23 express our appreciation for the staff's help in acquaint-
24 ing us with the problems, and also we want to thank the
25 members of industry who have given us their time, actually
26 far beyond what we had anticipated, so that we would know

1 all the ramifications of this problem.

2 Before making our recommendations to you, I
3 think it might be well to emphasize again the importance
4 that this particular job has for the Commission; that
5 at this time we have off the coast of California the best
6 hunting grounds for finding oil. I am sure that the
7 Commission knows that, it has been emphasized to you by
8 others that have appeared before you, and it is definitely
9 necessary for the Commission to get leases and rules and
10 regulations so that this land will be available for the
11 industry to prospect on and for the State of California
12 and their citizens to get the benefit of it.

13 You have heard figures of three billion to
14 four billion barrels of oil, and before that oil can be
15 produced, it must be found. Those are estimates; they
16 are really speculations, but it doesn't mean that that
17 oil is there. You have to give the industry a chance to
18 go out and find it, and it is on that basis and those
19 facts, really, that our recommendations are made, so
20 that the industry can have rules under your supervision
21 where they can go out and attempt to get this oil for the
22 people of California and for your use here in the state.

23 Our recommendations are set out in the first
24 part of our report, which is dated February the 3rd, 1958,
25 and they are on the basis of determining a leasing
26 policy, determining rules and regulations based upon

1 sound petroleum engineering principles. The Consultants,
2 or your consultants are petroleum engineers, and it is
3 on the basis of sound conservation and sound operating
4 policies that we make these recommendations to you.

5 Our recommendations concerning tideland oil
6 and gas leasing policy are:

7 I. Leasing policy must be flexible and
8 adjusted to circumstances and the facts existing in
9 respect to any area from time to time, since there is no
10 way to know beforehand whether or not a tract of land
11 will be "dry," "marginal," or "highly productive," as
12 tidelands offer no more or no less an attractive venture
13 for discovery of oil reserves and for profit than did
14 the upland areas except for the additional expense of
15 tideland operations. The over-all problem of leasing
16 tidelands is not substantially different than would be
17 the leasing of uplands under similar circumstances. The
18 Commission can do no more than exercise its best business
19 judgment within the limits of statutory authority, since
20 there is no formula that can remove the speculative or
21 risk element in the search for and development of oil and
22 gas production.

23 II. The Commission should maintain an
24 adequate staff to provide its own source of interpretation
25 of the facts that are developed in respect to any tract
26 proposed to be leased, and in respect to producing

1 operations on State lands.

2 III. Lands should be leased only on request
3 of prospective bidders except when development drilling
4 is required to offset drainage from State lands, and,
5 leasing as to any separate structure should be "step-wise,"
6 that is, giving wildcat tract leases first, with a portion
7 of the land reserved for leasing as proven or probably
8 productive in the event of discovery on any separate
9 structure.

10 IV. The lands should be classified as "wildcat
11 and exploratory" or as "proven or probably productive"
12 for the Commission's purpose of fixing lease terms.

13 V. Wildcat acreages should be leased in
14 tracts from one and one-half to two miles wide along the
15 shore by three miles long (seaward), in the range of
16 2880 to 3840 acres in size; and, proven or probably
17 productive tracts should be leased in the range of 1440
18 to 1920 acres in size with a three-mile seaward dimension
19 except when immediate or anticipated circumstances
20 dictate larger or smaller size leases.

21 VI. Leases on wildcat lands should be awarded
22 on the basis of a cash bonus bid. Leases on lands
23 considered proven or probably productive should be offered
24 on the basis of a royalty bid where the lease also
25 specifies a first-year annual rental in an amount
26 sufficient to be a cash bonus in addition.

VII. "Commencement of drilling operations"

1 should be earth boring for the purpose of completing an
2 operating well; 120 days should be granted as time
3 between wells under the continuous drilling clause; time
4 between wells should be counted commencing the day that
5 drilling operations reach total depth of the well last
6 drilled; the drilling term of wildcat leases should be
7 three years, and, for proven or probably productive
8 leases, less than three years.

9 VIII. The Commission should offer wildcat
10 leases on a cash bid with a specified royalty of $P/(5+.01P)$,
11 where "P" refers to barrels per day per well, with a
12 specified maximum not in excess of 40 to 50 per cent,
13 that is, a specified maximum royalty; and, proven or
14 probably productive leases on a royalty bid factor for
15 the formula $P/(3+.01P)$, where "P" represents barrels per
16 day per well, with a specified maximum of 100 per cent,
17 that is, royalty, and an appropriately high first-year
18 rental specified. The minimum royalty should at all times
19 be $16\frac{2}{3}$ per cent since the Commission cannot renegotiate
20 royalties in the stripper stage or in the case of other-
21 wise uneconomic royalty burden.

22 IX. Gas and oil product royalties in wildcat
23 leases should be at 20 per cent, and, for proven or
24 probably productive lands at $33\frac{1}{3}$ per cent.

25 X. No provision to share cost of dehydration
26 of oil should be made.

1 XI. The right to determine well-head prices
2 for purpose of determining royalty due under any State
3 lease should be reserved to the Commission in every lease.

4 XII. The right to take royalty in kind at
5 specified points of delivery at any time should be
6 reserved in every lease.

7 XIII. There should be no provision in any
8 lease for the State's participation in future investment
9 or expense of any required or advisable lease operation.

10 XIV. Leasing of the available 54,000 acres
11 in Santa Barbara County should be initiated by granting
12 not more than five segregated non-contiguous leases, each
13 covering 2880 to 3840 acres offered on a cash bonus bid
14 and the remaining acreage should be held pending develop-
15 ments.

16 XV. The draft of a lease as proposed on
17 February 11, 1958, by the Western Oil and Gas Association
18 should be adopted except for conflicting recommendations
19 made in this report.

20 XVI. The Commission must exercise its right
21 to reject bids found to be insufficient in bonus or
22 royalty because it can only determine what lessees will
23 offer for a lease after bids are received on one basis
24 only.

25 XVII. "Average-production-per-well-per-day"
26 for purposes of computing royalty due on oil should be

1 determined on the basis of monthly oil production,
2 calendar days in the month, the number of bona fide
3 "producing" wells as determined by the Commission, days
4 each such producing well operates, and counting operated
5 injection wells as producing wells, if such injection
6 wells were previously approved by the Commission. Dually
7 completed wells completed on approval of the Commission
8 would be counted as a producing well for each separate
9 zone that qualifies as a "producing" well.

10 XVIII. Every lease should define "zones" or
11 "pools" or "common reservoirs" as synonymous terms mean-
12 ing a stratum of porous, permeable rock containing a
13 common accumulation of oil or gas constituting a separate
14 source of supply from any other zone, pool or common
15 reservoir, for the purposes that such a definition is
16 required.

17 This is respectfully submitted by Dr. Kaveler
18 and ourselves, Keplinger and Wanenmacher.

19 Now, the back portion of the report -- in the
20 back part of the report the various recommendations are
21 discussed in detail, and at this time I don't know of any
22 point which should be clarified. We have, of course,
23 offered the Commission a little leeway in our recommenda-
24 tions as to the exact area, the exact acreage which
25 should be submitted, and in reference to our recommendation
26 No. 9, "gas and," that should be corrected to be "gas and

1 gas products royalty." This is a typographical error.

2 I believe that is all we have.

3 CHAIRMAN PEIRCE: All right. Thank you, Mr.
4 Keplinger. Now, before you leave the stand, I am going
5 to ask if the Lt. Governor or Mr. Kirkwood have any
6 questions they would like to direct to you.

7 LT. GOVERNOR POWERS: I don't think I do if we are
8 going to take this under submission before we finally
9 adopt it. Is that right?

10 CHAIRMAN PEIRCE: Well, now, what is your pleasure,
11 gentlemen? What is your thinking, Mr. Kirkwood? Do you
12 concur in the suggestion that I made at the outstart,
13 that we might want to take this under submission and
14 have the staff analyze it before we take any action there-
15 on?

16 MR. KIRKWOOD: Yes, I think we need to do that. It
17 might be helpful to the staff that we have some dis-
18 cussion of it today. I don't know what the procedure
19 would be. I assume there would be further discussion at
20 the time of the staff recommendation, both by industry
21 and is it planned that Mr. Kaveler or either Mr. Keplinger
22 or Wanenmacher would be available then?

23 CHAIRMAN PEIRCE: Is that your thought, Mr. Hortig?

24 MR. HORTIG: That would be the staff recommendation
25 for procedure, Mr. Peirce.

26 CHAIRMAN PEIRCE: In other words, after you have

1 completed your analyses of this report and we then take
2 it up for final decision, we would have our consultants
3 with us for further advice on this matter?

4 MR. HORTIG: That would be correct, sir, and also
5 such representations as industry felt were appropriate
6 on the staff recommendations at that time.

7 May I suggest at this point, and possibly
8 even prior to your consideration in whether to take this
9 particular report under submission, there is also pending
10 a question on behalf of the Western Oil and Gas Association
11 Subcommittee, a request to present to the Commission this
12 morning, possibly in very brief form, a proposed form of
13 lease, which does contain some elements which are
14 counter to the recommendations of the Consultants, but
15 which are also in the manner of the Consultants'
16 recommendation 15 as it has just been outlined by Mr.
17 Keplinger. So you gentlemen have not yet had the
18 presentation of all of the elements that possibly should
19 be taken under submission.

20 MR. KIRKWOOD: I would like to ask just a couple of
21 questions.

22 CHAIRMAN PEIRCE: Mr. Kirkwood

23 MR. KIRKWOOD: With reference to the staff, you
24 suggest that there should be an adequate staff. Do you
25 have in mind any particular changes that should be made
26 or have you developed in your own thinking any different

1 kind of a staff pattern that is any different than what
2 we presently have?

3 MR. KEPLINGER: The recommendation that I have in
4 that report is that the geological portion of your staff
5 should be as strong as humanly possible because that
6 information which is given to the Commission is confidential,
7 and the Commission must rely on their staff to
8 interpret the information, the industry -- the oil
9 industry representatives will not do that for you, and
10 that is probably the biggest point that I would like to
11 make.

12 CHAIRMAN PEIRCE: In other words, you believe that
13 our technical staff should be augmented, particularly in
14 the field of geology, so that we will be able to analyze
15 what information is made available to us under these
16 various leases?

17 MR. KEPLINGER: Yes, sir. Not only the technical
18 staff in geology, but also in petroleum engineering,
19 because we at the present time know so much more about
20 reservoirs than when the Commission was first established,
21 and the ways to produce oil today are far different and
22 conservation practices and secondary recovery through the
23 injection of water and gas and other gaseous fluids
24 increase the production of oil, and the Commission should
25 have a competent staff to deal with the industry.

26 MR. KIRKWOOD: I think it could be very helpful,

1 Mr. Chairman, if the Consultants, again sitting down with
2 Mr. Hortig, could give us some indication as to what in
3 their mind would give us this sort of a staff. I think
4 we need some technical assistance on that, too.

5 I assume -- I saw this report this morning for
6 the first time and I haven't had a chance to review it
7 before -- I assume that somewhere along the line we will
8 have, if we don't have it here in your explanatory
9 material, the points of difference between your suggestions
10 and our past lease practices or our present lease
11 practices and what is involved; a little bit of the
12 arguments both ways. Some of that will show up in your
13 analyses; is that right, Frank?

14 MR. HORTIG: That would be a definite phase of the
15 staff analyses, Mr. Kirkwood. Due to the time of sub-
16 mittal of the Consultants' report, the Western Oil and
17 Gas Association Special Subcommittee draft, which again
18 represents in some areas a different viewpoint, we were
19 unable to prepare such a comparison for your consideration
20 today, and it is the recommendation that this would
21 necessarily come during the period of staff consideration
22 and preparation and a final report for your consideration.

23 MR. KIRKWOOD: I was wondering specifically on
24 recommendation 13 as to how that affected what we have
25 talked about on repressurization and that sort of activity.
26 Is that different from what we have had before or has

1 there been some --

2 MR. HORTIG: Well, in effect, it results in a
3 recommendation of returning the Commission's lease bid
4 form to the condition in which it was prior to the last
5 lease offer, which, for the first time, included pro-
6 visions for possible State participation in economic
7 burdens of subsidence protection.

8 MR. KIRKWOOD: Would the provision in XVII, with
9 reference to counting inoperative ejection wells offset
10 that in part? That is the sort of thing I would like to
11 see analyzed. I find myself not knowing exactly where
12 the differences come in and what the offsetting factors
13 are.

14 MR. HORTIG: You are correct. The purpose of
15 counting ejection wells, of course, is to assist in that
16 direction, particularly in cases where there are secondary
17 recovery projects operated for secondary recovery features
18 per se, but recommendation XVII goes one step further,
19 and the difference of opinion at the moment as between
20 the Consultants and the industry's proposed lease form to
21 be reconciled, is this matter of whether or not the State
22 in a lease offer should offer to consider to participate
23 in emergency and unforeseeable operating costs that are
24 not directly a normal function of oil operations.

25 MR. KIRKWOOD: Are we going to be able to get these
26 differences boiled down somewhere in outline ahead of the

1 next meeting so we can review it?

2 MR. HORTIG: Yes. That is the purpose of the staff
3 review.

4 CHAIRMAN PEIRCE: Do you contemplate having two
5 columns, for example, with our Consultants' recommenda-
6 tions, or possibly three columns, then their recommenda-
7 tions, your concurrence or nonconcurrence, and then the
8 industry's comments and recommendations with respect to
9 columns 1 and 2?

10 MR. HORTIG: That will be one mechanical approach.
11 If I may suggest to the Commission, we have had in mind,
12 and this may well serve the purpose, of preparing a lease
13 draft form which would, where there was concensus, have
14 one statement of the terms and conditions for the
15 particular section, and where there are differences of
16 opinion, both or the three versions of language that
17 propose to cover the subject supplemented by an explana-
18 tion and recommendation as to which of the three versions
19 it is recommended that the Commission adopt for that
20 particular section of the lease form, so that after con-
21 sideration and adoption on that basis, the net result is
22 that the Commission's action would be an authorized lease
23 form to be used in the next featured lease offer -- lease
24 offered for bidding.

25 MR. KIRKWOOD: Yes.

26 CHAIRMAN PEIRCE: Any further questions from members

1 of the Commission? Assemblyman Miller, would you like
2 to ask Mr. Keplinger any questions?

3 ASSEMBLYMAN MILLER: Mr. Chairman, I don't want to
4 prolong this meeting at all. If it is contemplated that
5 we would be able to be in on any future conference of
6 the staff and your consultants, or even without the
7 members themselves, in which some of the questions that
8 I have in mind might be discussed, I would defer any
9 examination here on some questions that are in my mind
10 to that point where you have a working meeting, but it
11 would depend on that. If I didn't have an opportunity
12 to ask Mr. Keplinger any questions subsequently, I would
13 like to ask him now, but I wouldn't want to burden your
14 meeting with them if I would have that opportunity later
15 on.

16 CHAIRMAN PEIRCE: Well, I believe that most of us
17 are at a disadvantage today with regard to asking
18 questions because we haven't had an opportunity to
19 examine this report carefully in order to have had the
20 benefit of the staff analyses, and I assure you that you
21 and members of the Assembly Committee will have an
22 opportunity to study this report and this recommendation
23 and to participate in future discussions before a final
24 decision is made.

25 Mr. Hanna, have you any questions that you
26 would like to ask at this time?

1 ASSEMBLYMAN HANNA: I have just one simple
2 question. I probably expose my ignorance in this deal,
3 but I am wondering about Paragraph VIII, where you have
4 used "P" in the formula. Is there a definite distinction
5 between the definition of "P" as used in the formula in
6 Paragraph VIII and Paragraph XVII, I think it is, refer-
7 ring to the definition of an average production per well
8 per day?

9 CHAIRMAN PEIRCE: Mr. Keplinger.

10 MR. KEPLINGER: Mr. Hanna, that is the same "P,"
11 yes.

12 ASSEMBLYMAN HANNA: I thought it was. Thank you.

13 CHAIRMAN PEIRCE: All right. Thank you.

14 ASSEMBLYMAN HANNA: I have some questions but I
15 will wait, as Mr. Miller, until the next time.

16 CHAIRMAN PEIRCE: All right. Mr. Home, you are
17 Chairman of the Committee of the Western Oil and Gas
18 Association, are you not?

19 MR. HOME: Yes, I am.

20 CHAIRMAN PEIRCE: Have you any questions you would
21 like to ask at this time, or any comments or anything to
22 say in behalf of the industry committee in the presence of
23 Mr. Keplinger?

24 MR. HOME: I would like to say only this, Mr.
25 Peirce, and members of the Commission, that the industry
26 committee have met on two occasions or members of the

1 Committee have met on two separate occasions with Dr.
2 Keplinger and Mr. Wanenmacher or Mr. Keplinger, and we
3 have had some discussions, but it is true that we have
4 come out with some points of difference between the
5 industry's recommendations and those of the staff
6 consultants. However, the industry has had the final
7 recommendations of the consultants for a very short time.
8 We have not yet had an opportunity to consolidate any
9 industry viewpoint with respect to certain of the
10 differences of points of view, although in the majority
11 I feel that we do have such a viewpoint.

12 The thing that I would ask this morning would
13 be that the industry likewise be given an opportunity at
14 some future time, either at or prior to the next meeting
15 of the Commission, within which to submit the reasons
16 for its differences in viewpoint from the various points
17 that are mentioned in the consultants' report and
18 recommendations.

19 CHAIRMAN PEIRCE: You will be given that opportunity,
20 Mr. Home, and the members of your committee.

21 At this point I would like to ask Mr. Hortig,
22 have you any suggestions in that regard?

23 MR. HORTIG: Mr. Chairman, in view of the necessity
24 of timing with respect to preparing adequate presentations
25 for the Commission, and the necessity for bringing the
26 consultants from Tulsa, Oklahoma, at such times as there

1 can be a complete conference and eventually a meeting of
2 the minus, may I suggest that it may serve the purposes,
3 and I would like to put this in the form of a question to
4 Mr. Miller, if I may, and Mr. Hanna, whether it would
5 serve their purpose to consider scheduling a Commission
6 meeting, as Mr. Home has suggested, where the staff
7 review the final industry review and would be presented
8 to the Commission for consideration, at which meeting the
9 special Consultants for the Commission would also be
10 present, and full consideration could be had in the sense
11 that it would be suggested that such meeting be set to
12 hear one agenda item only, and that to be this matter
13 of the oil and gas leasing policy, and to be set in the
14 very near future. Would this meet your purposes, Mr.
15 Miller?

16 ASSEMBLYMAN MILLER: Yes, sir.

17 CHAIRMAN PEIRCE: How soon do you think this
18 material can be analyzed and your comments reported?

19 MR. HORTIG: Obviously reviews and re-reviews could
20 be continued ad infinitum, but in view of the desirable
21 necessity for getting some final reports to the Commission,
22 and which can then result in proceeding with oil and
23 gas leasing, as in actual matter, as Mr. Keplinger has
24 already mentioned, is past necessary, I should like to
25 suggest that the staff be directed to attempt to set a
26 meeting date that would be mutually convenient to the

1 Commissioners, probably in Sacramento, and during the
2 week of February 24th.

3 CHAIRMAN PEIRCE: The last week of February?

4 MR. HORTIG: Yes, sir.

5 LT. GOVERNOR POWERS: It would have to be after the
6 25th for me.

7 CHAIRMAN PEIRCE: What is your comment in that
8 regard, Mr. Kirkwood?

9 MR. KIRKWOOD: Well, I think it is going to be
10 difficult to bring all these things together and get
11 them in shape for us to act upon within the reasonable
12 future, that is our problem.

13 LT. GOVERNOR POWERS: The Legislature will be in
14 session and I will be up there the first week in March.

15 MR. KIRKWOOD: I was wondering this, again in an
16 effort to get the different points of view available
17 and in a position where they can be compared for us,
18 whether it might be well to suggest to Mr. Hortig to
19 conduct a meeting at which the industry's point of view
20 would be presented, and, if possible, the questions
21 that the Legislative committees might have would be
22 posed, and draw the material together for submission to
23 the kind of a report that we originally talked about of
24 bringing the issues out at the next Commission meeting.
25 I would hope that I would be able to sit in on such a
26 meeting even if Frank were conducting it, rather than

1 have a full Commission meeting, but it does seem to me
2 that if it is a full Commission meeting -- I think this
3 is going to take time, that is my problem, and to hold
4 all three of us together these days is a little tough,
5 just as I would suspect that Allen and Assemblyman
6 Hanna would come in for part of the time, perhaps to
7 raise their points, and we could get it screened. I
8 would want to sit in as much as I could, but I am just
9 wondering about the time problem, whether that might
10 save some time, and then have all of that material
11 available to us at our meeting and have further dis-
12 cussions at that time.

13 CHAIRMAN PEIRCE: That would be done in the absence
14 of the Consultants or in the presence of the Consultants?

15 MR. KIRKWOOD: No. I would hope that the
16 Consultants would be available.

17 CHAIRMAN PEIRCE: In other words, you would suggest
18 that Mr. Hortig conduct a hearing which would be
19 attended by representatives of the industry, the
20 Consultants would be there, and members of the Assembly
21 Subcommittee and members of the Commission to the extent
22 that they could participate in this informal discussion
23 trying to resolve the various points of difference, and
24 clear any points of confusion before the matter is
25 formally presented to the Commission?

26 MR. KIRKWOOD: In any event, we are going to have

1 two meetings, one for this discussion and one at which
2 we decide on the final form of lease and the acreages
3 to be included, and it just seems to be that that first
4 one might be conducted by Frank rather than be a formal
5 Commission meeting.

6 CHAIRMAN PEIRCE: What do you think, Governor
7 Powers?

8 LT. GOVERNOR POWERS: Well, I would like to sit in
9 on it. I suppose your theory is to have it run con-
10 secutively along, two or three days right together, so
11 you can bring the Consultants in; is that right?

12 MR. HORTIG: It wouldn't take two or three days.

13 LT. GOVERNOR POWERS: Well, it would take two days.
14 You are stuck with two.

15 MR. HORTIG: May I ask, did you have in mind, Gov.
16 Powers, that this review session would be followed
17 immediately thereafter by a formal Land Commission
18 meeting?

19 LT. GOVERNOR POWERS: That would be my idea,
20 because your Consultants would want to be there both
21 times and it would save making trips to Sacramento, and
22 that is why I thought it should be postponed until just
23 before the Legislature convenes. At that time it would
24 be more convenient for all of us in connection with the
25 Legislature.

26 MR. HORTIG: One technical difficulty that occurs

1 to me would be the resolution and consolidation as
2 a result of that informal session in such manner that
3 it could be presented to the Commission. If there would
4 be consecutive sessions there wouldn't be any opportunity
5 for that.

6 MR. KIRKWOOD: I think we want the advice of Mr.
7 Hortig after just as many points as possible have been
8 raised.

9 Now, granted, as he says, we can go ahead and
10 re-analyze and re-analyze forever, we have to have a
11 stopoff date, but I think we need to get all of this
12 discussion out on the table and then give Frank time to
13 analyze it, and, as the head of our staff, make re-
14 commendations that are considered recommendations, and
15 at that time, sure, we are going to have to have further
16 discussions of them so that we understand them fully
17 and there are no questions about our support or non-
18 support of the particular proposal.

19 LT. GOVERNOR POWERS: Well, you would want them a
20 week apart; is that right?

21 MR. KIRKWOOD: I think that would be almost
22 necessary.

23 CHAIRMAN PEIRCE: Well, may I make this suggestion,
24 that Mr. Hortig and the Consultants and representatives
25 of the industry and the Legislative Subcommittee, and
26 members of the Commission, hold an informal meeting the

1 last week in February in Sacramento, the latter part
2 of that week, and then a week later the Commission will
3 hold a formal meeting, at which time, now, we will have,
4 presumably, final answers from Mr. Hortig and a final
5 analysis of this preparatory to our taking any formal
6 action with respect thereto.

7 What is your reaction to that, Mr. Kirkwood?

8 MR. KIRKWOOD: That sounds all right.

9 LT. GOVERNOR POWERS: Yes, that is all right. I
10 would just like to know the dates.

11 CHAIRMAN PEIRCE: Well, the days have to be worked
12 out by Mr. Hortig so as to meet the convenience of all
13 concerned. You can do that, can't you, Mr. Hortig?

14 MR. HORTIG: Yes, sir, and for Gov. Powers' benefit,
15 we will definitely shoot for the latter part of the week
16 of the 24th so that we will coincide with your necessity
17 for meeting later than the 25th.

18 LT. GOVERNOR POWERS: Fine.

19 MR. KIRKWOOD: The 26th or 27th are open at this
20 point for me.

21 CHAIRMAN PEIRCE: I think they are both open for
22 me.

23 ASSEMBLYMAN HANNA: That is okay for me.

24 LT. GOVERNOR POWERS: That is all right for me.

25 CHAIRMAN PEIRCE: That would be the understanding,
26 Mr. Hortig, that you make a note of that and make the

1 necessary arrangements.

2 Before we conclude this discussion, is there
3 anybody else in the audience who wishes to speak in
4 regard to this in addition to what Mr. Home has already
5 said in behalf of the Western Oil and Gas Association
6 Committee?

7 (No audible response.)

8 CHAIRMAN PEIRCE: All right. If not, I want to
9 thank Mr. Keplinger and Mr. Kaveler for their participa-
10 tion in our discussion today, and for the record, they
11 have submitted, and I am sure that your findings and
12 recommendations will be very helpful to us in resolving
13 a problem that is difficult at best. We have a most
14 important assignment and we want to come out with the
15 right answers and to do this in the best interest of
16 the people of the State of California.

17 All right, Mr. Hortig, if you will, proceed
18 with the next item on the agenda, please.

19 MR. HORTIG: Calendar page 2, gentlemen.

20 The Committee will recall prior authorization
21 for a consideration of the amendment of the existing
22 rules and regulations relating to the conduct of
23 geophysical and geological surveys on tide and submerged
24 lands.

25 After extensive review with all interested
26 parties, and complete consultation on the legal phases

1 with the office of the Attorney General, the language
2 has finally been developed which is satisfactory to all
3 interested parties to accomplish the desired control
4 without over-controlling and requiring permits for
5 types of operations that were apparently never contem-
6 plated to be controlled or reviewed, and, therefore, it
7 is recommended that the Commission adopt the proposed
8 amended language for Section 2100(b) of the Rules and
9 Regulations of the State Lands Commission, in the form
10 of the resolution as stated in this calendar item for
11 adoption by the Commission; that after proceedings had,
12 in accordance with the provisions of the Administrative
13 Procedures Act, and pursuant to the authority vested
14 by Section 6108 of the Public Resources Code, the State
15 Lands Commission hereby amends and adopts its regulations
16 in Title II, California Administrative Code, as follows:

17 Amends Section 2100(b) to read:

18 "(b) The taking of core and other samples
19 may be conducted on and under tide and submerged
20 lands of the State, except as follows:

21 Geophysical survey permits are required
22 for the conduct of geophysical surveys on
23 all State lands by any seismic method
24 employing explosives.

25 Geological survey permits are required
26 for the conduct of geological surveys on and

1 under submerged lands of this State where
2 geological samples are obtained through any
3 drilling operation. The "dart," "jet," and
4 other similar techniques, shall not be
5 regarded as methods of drilling operations
6 where geological samples are obtained within
7 the meaning of this subsection.

8 This order shall take effect on the 30th
9 day after its filing with the Secretary of
10 State as provided in Section 11422 of the
11 Government Code.

12 The Executive Officer is authorized to file
13 this amendment of Title II, California Administrative
14 Code, with the Secretary of State.

15 CHAIRMAN PEIRCE: You have heard the reading of
16 the proposed regulation. Is there any discussion?

17 MR. KIRKWOOD: Well, I move the approval of the
18 recommendation.

19 LT. GOVERNOR POWERS: It is all right with me.

20 CHAIRMAN PEIRCE: It has been moved and seconded
21 that the recommendation be approved, and so will be the
22 order.

23 MR. HORTIG: Mr. Chairman, and gentlemen, noticing
24 the attendance today with respect to particular agenda
25 items, it is suggested that the Commission next consider
26 the item on page 32 of the agenda relating to proposed

1 expenditure of tideland oil funds by the City of Long
2 Beach pursuant to Chapter 29 of the Statutes of 1956.

3
4 The City of Long Beach has requested that the
5 Commission approve an expenditure by the City from its
6 tideland oil funds of such sums as may be necessary to
7 hold a special election on March 4, 1958.

8 The office of the Attorney General has
9 submitted the conclusion that the particular proposed
10 use of the City of Long Beach share of tideland oil
11 revenues is neither a legitimate cost of oil production
12 nor a permissible use within the meaning of any subdivision
13 of Section 7 of the authorizing statutes.

14 Additionally, while the Commission may give
15 prior written approval to expenditures not stated
16 specifically in the authorizing statutes, pursuant to
17 Section 10 of the stipulation which has been filed as
18 to entry of decree in the case of People of the State of
19 California vs. City of Long Beach, it also has been
20 concluded by the office of the Attorney General that,
21 because of inability to find any legal justification
22 for the requested approval of the proposed expenditure,
23 the Commission cannot safely approve such requested
24 expenditure.

25 Therefore, it is recommended that the Commission
26 determine not to approve the request of the City of
Long Beach of January 15, 1958, as to proposed

1 expenditures from the City's share of tideland oil funds
2 of such sums as may be necessary to hold a special
8 election on March 4, 1958.

4 CHAIRMAN PEIRCE: Does the City of Long Beach
5 desire to protest this recommendation?

6 MR. LINGLE: For the record, I am Harold Lingle,
7 Deputy City Attorney of Long Beach.

8 For our record, we do desire to protest it.
9 I don't wish to belabor the point here, but we feel that
10 the only purpose in holding this special election was
11 to amend our charter so that we could enter into
12 contracts in the oil fields for the lack of the pro-
13 ductive life of the field, and it is for no other purpose
14 than that. So to preserve our record, and if there is
15 some other step that we desire to take, we do protest
16 that particular ruling, and we disagree with the Attorney
17 General.

18 CHAIRMAN PEIRCE: Thank you, Mr. Lingle. Is there
19 any further discussion of the recommendation?

20 We are guided by the Attorney General's advice
21 in this regard. Therefore, the Attorney General's
22 advice is so recommended.

23 MR. KIRKWOOD: I move the adoption of the recommenda-
24 tion.

25 LT. GOVERNOR POWERS: I will second the motion.

26 CHAIRMAN PEIRCE: It has been moved and seconded

1 that the recommendation be approved and so will be the
2 order.

3 The next item, Mr. Hortig?

4 MR. HORTIG: Page 33. The Commission has previously
5 approved the cost to be expended in the 1957-58 fiscal
6 year by the Harbor Department of the City of Long
7 Beach, including subsidence remedial work, for the
8 Pier B area project. Subsequent to these approvals, it
9 developed that arrangements could not be concluded with
10 the potential lessee, thus eliminating the necessity
11 previously planned for construction of the passenger
12 terminal. Accordingly, complete revision of plan will
13 be made for the Pier B reconstruction involving deletion
14 of the passenger terminal, and enlargement of the
15 originally contemplated Transit Shed with appropriate
16 changes in the service facilities thereto. Such costs
17 as have been disbursed for preliminary work and for
18 transition planning have been previously approved.

19 Due to the changes in the nature of the work,
20 the Long Beach Harbor Department has submitted new plans
21 and estimates, and has requested State participation in
22 the costs of the new work.

23 This revised project has received initial
24 staff review, is considered to include some subsidence
25 costs as defined in Chapter 29, but not necessarily all
26 of those costs as estimated by the City of Long Beach.

1 It is recommended that the Commission rescind
2 the approval of the excess of approved costs over the
3 actual costs to February 11, 1958, for reconstruction on
4 the Pier B project previously authorized, and approve
5 costs proposed to be expended by the City of Long Beach,
6 including subsidence remedial work, as indicated on
7 Exhibit "A" attached hereto, for the period February 11,
8 1958, to June 30, 1958, subject to the standard
9 reservation conditions heretofore adopted by the
10 Commission relative to final determination of allowability
11 of subsidence costs dependent upon engineering review
12 and final audit subsequent to the time when the work
13 under any of these items is completed.

14 CHAIRMAN PEIRCE: Does the City of Long Beach
15 concur in this recommendation?

16 MR. LINGLE: Yes, we do concur with this recommenda-
17 tion.

18 CHAIRMAN PEIRCE: Thank you, Mr. Lingle. Any
19 discussion?

20 MR. KIRKWOOD: Move the approval.

21 LT. GOVERNOR POWERS: Second it.

22 CHAIRMAN PEIRCE: Moved and seconded that the
23 recommendation be approved, and so will be the order.

24 The next item.

25 MR. HORTIG: Page 35, gentlemen. Again the
26 Commission has previously approved costs to be expended

1 in the '57-58 fiscal year, including subsidence remedial
2 work for a project which has been classified as the
3 Pier D area project. Subsequent to this approval and
4 study, it developed that additional costs will have to
5 be incurred because when construction work was actually
6 undertaken it was found that there actually had been
7 more prior damage due to subsidence than was contemplated
8 would have to be repaired when the plans were developed.

9 MR. KIRKWOOD: Well, this is routine?

10 MR. HORTIG: This is routine, except that it is
11 necessary for the Commission's approval to augment the
12 funds.

13 MR. KIRKWOOD: Recommend approval.

14 LT. GOVERNOR POWERS: Seconded.

15 CHAIRMAN PEIRCE: Moved and seconded that the
16 recommendation is approved, and so will be the order.

17 MR. HORTIG: Also on the same general classification
18 of routine, as in Mr. Kirkwood's definition, on page 37,
19 in which the Commission has heretofore been approving
20 expenditures of funds, subject to final review, but on
21 a monthly basis, in as much as the project classified
22 as Town Lot project is not currently processed sufficiently
23 to be proposed in its entirety for approval on a fiscal
24 year basis, it is again recommended that the Commission
25 authorize expenditures for the next succeeding months
26 as outlined on Exhibit A attached thereto on page 38.

1 MR. KIRKWOOD: Move the approval.

2 LT. GOVERNOR POWERS: Seconded.

3 CHAIRMAN PEIRCE: It has been moved and seconded
4 that the recommendation be approved. So will be the
5 order.

6 MR. HORTIG: Page 39 is again in the same nature
7 as the second preceding item in that it has been
8 determined that additional costs of repair will have to
9 be undertaken which were not available at the time that
10 the project was approved on a fiscal year basis, and it
11 is recommended that the additional costs to be incurred
12 be approved, again subject to the standard limitations
13 for review on completion of the project.

14 MR. KIRKWOOD: I move the approval.

15 LT. GOVERNOR POWERS: Second it.

16 CHAIRMAN PEIRCE: It has been moved and seconded
17 that the recommendation be approved. So will be the
18 order.

19 MR. HORTIG: Page 41. The item proposed herein is
20 by the City Engineer of the City of Long Beach in view
21 of the fact that the operations to be undertaken are
22 outside the specified limits of the Long Beach Harbor
23 District, which are the limits of all the preceding
24 projects, which you gentlemen have considered here this
25 morning.

26 The particular project involved herein is the

1 construction of a new Navy landing, the major item in
2 the project being the construction of facilities for
3 the unloading of United States Navy personnel, and, of
4 course, the adjoining boat base and facilities necessary
5 to handle the fleet boats. The construction will
6 involve subsidence costs, and as defined in Chapter 29,
7 but from a staff review it is indicated these are not
8 necessarily all of the costs as estimated by the City
9 of Long Beach.

10 Therefore, within the authorization of Chapter
11 29, it is recommended that the Commission approve the
12 expenditures by the City of Long Beach --

13 MR. KIRKWOOD: Move the approval.

14 MR. HORTIG: -- of the construction item, subject
15 to the standard reservations for future review.

16 LT. GOVERNOR POWERS: Second it.

17 CHAIRMAN PEIRCE: It has been moved and seconded
18 that the recommendation be approved. So will be the
19 order.

20 That concludes the Long Beach items?

21 MR. HORTIG: If I may check a moment.

22 MISS STAHL: You have one special item.

23 MR. HORTIG: I believe we will bring that up at the
24 end of the meeting. It is not on the agenda.

25 Page 31, gentlemen. Chapter 2000 of the
26 Statutes of 1957 direct the Commission to proceed with
the study of boundaries of the tide and submerged lands

1 in the Long Beach area, with particular reference to
2 those tide and submerged lands previously granted by
3 the Legislature to the City of Long Beach and granted
4 in trust, and under this statute, the Commission shall
5 report to the Legislature not later than February 15,
6 1958, its progress in carrying out the purposes of this
7 Act.

8 As you gentlemen will recall, on September
9 13, 1957, authorization was granted for proceeding with
10 the office of the Attorney General in determining the
11 boundaries of the tide and submerged lands in conform-
12 ance with the requirements of Chapter 2000, Statutes of
13 1957.

14 The Attorney General's office and the State
15 Lands Division Staff have completed a detailed inves-
16 tigation of the origin and extent of public and private
17 land titles along the Long Beach waterfront.

18 A summary report of the study results will
19 be presented this morning by the office of the Attorney
20 General, together with a request for Commission author-
21 ization to the office of the Attorney General to commence
22 litigation in the name of the Commission, and to take
23 other steps regarded as necessary to protect the State's
24 interests.

25 Separate from the request that will be
26 presented by the Attorney General's representatives this

1 morning, it is recommended that the Commission authorize
2 the Executive Officer to report to the Legislature not
3 later than February 15th the progress of the Commission
4 in carrying out the purposes of Chapter 2000, Statutes
5 of 1957.

6 CHAIRMAN PEIRCE: Mr. Shavelson, are you going
7 to handle this for us?

8 MR. SHAVELSON: Yes. My name is J. Shavelson,
9 Deputy Attorney General. I have a written report from
10 our office to the State Lands Commission. If it is
11 the Commission's pleasure that that be read I will be
12 glad to do so, but it might be just as well to
13 distribute copies to the members of the Commission and
14 I have a few extra copies available for other persons
15 who might be interested.

16 The purpose of our report is to summarize
17 the progress that we have made to date for the purpose
18 of helping the State Lands Commission staff to prepare
19 the report to the Legislature that is required under
20 Chapter 2000, and, furthermore, to inform the Commission
21 that we have reached our conclusions within the office
22 as to what we think will be the proper course of action,
23 and to get authorization from the Commission to commence
24 litigation and to send notices and take any other steps
25 proceeding to litigate title in those areas that we
26 regard as ligatable, and also to inform the Commission

1 of the decision within the Attorney General's office
2 to have our conclusions examined by independent counsel,
3 who have not as yet been selected, to test the validity
4 of our conclusions and to make sure that the course of
5 action that we propose is the one that is in the best
6 interest of the State.

7 We want to avoid, on the one hand, casting
8 needless clouds on extremely valuable properties by
9 commencing litigation which might be fruitless. On
10 the other hand, we wish to move promptly in those areas
11 that we do regard as ligatable, in order to prevent any
12 loss of revenues to the State, and we feel that the
13 course of action that we propose here achieves the scope
14 of those objectives as closely as possible. To the
15 extent that they are somewhat inconsistent, we have to
16 sacrifice one for the other, but we try to accomplish
17 both objectives by our proposed course of action.

18 We do intend to file litigation in the very
19 near future as soon as certain mechanical details have
20 been taken care of. That is, I have outlined the
21 details in written form there. I could read the report.

22 CHAIRMAN PEIRCE: Mr. Shavelson, may I ask this
23 question: Mr. Hortig has sent members of the Commission
24 a suggested draft of the report to be submitted to the
25 Legislature in compliance with this Statute, and he
26 advises that you assisted in the drafting of this report

1 or you did draft it. Is it purely a factual report
2 without any conclusions contained therein?

3 MR. SHAVELSON: No, sir. The beginning, or the
4 first portion of the report is strictly factual of the
5 work we have done, in very broad terms. The latter
6 portion is a statement of the action that we think
7 should be commenced forthwith, and our report to you
8 requests authorization that we proceed to take any legal
9 steps that we regard as essential to protect the State's
10 position at this time, so it is not altogether factual.

11 CHAIRMAN PEIRCE: But the opinions expressed there-
12 in are those of the Attorney General's office?

13 MR. SHAVELSON: Yes, sir.

14 CHAIRMAN PEIRCE: But if the report were to go to
15 the Legislature in substantially its present form, it
16 wouldn't be binding upon the Commission, would it?

17 MR. SHAVELSON: No. I think it is made clear that
18 all of our conclusions are tentative and subject to
19 review and modification in the event that subsequent
20 study should cause us to change them. I don't think it
21 is binding in any way, it wasn't intended to be.

22 MR. KIRKWOOD: Isn't it an indication of an
23 authorization by us of filing some actions?

24 MR. SHAVELSON: Pardon?

25 MR. KIRKWOOD: Doesn't it indicate an authorization
26 by us of filing certain actions, however?

MR. SHAVELSON: Yes.

1 MR. KIRKWOOD: To that extent it is our report.
2 I assume that the City of Long Beach was in agreement
3 with the Attorney General's office on this?

4 MR. SHAVELSON: I am afraid I can't speak for them.

5 CHAIRMAN PEIRCE: Well, this is something that is
6 going to have to be resolved by the courts.

7 MR. SHAVELSON: That is our feeling. The questions
8 that we have gone into is to what extent we think these
9 titles are litigable, and our decision, both positive
10 and negative, is subject to review by private counsel,
11 and if we concur in any recommendations they make, we
12 will modify our decision accordingly.

13 CHAIRMAN PEIRCE: In as much as the deadline is
14 almost here when the report has to be before the
15 Legislature, we are going to have to make a decision
16 today if we are going to authorize the submission of
17 this report to the Legislature, and yet we members of
18 the Commission have not had an opportunity to read the
19 report, so we are in a rather awkward position in that
20 regard.

21 What is your recommendation, Mr. Hortig?

22 MR. HORTIG: The recommendation still stands,
23 gentlemen; that the Executive Officer be authorized to
24 submit the report, which is a composite reporting prior
25 actions of the Commission in authorizing studies with
26 respect to the question as directed by the Statutes,

1 and an outline of the factual situation as it has
2 developed from the combined studies of the Attorney
3 General's office and the State Lands Division and a
4 statement of the proposed actions to which the Attorney
5 General feels must be undertaken in furtherance of the
6 study and in furtherance of the directive of the
7 Legislature to determining these boundaries. The latter
8 part was set forth in a draft of the report you had
9 before you perspectivevely on the presumption that you
10 gentlemen today, at the request of the Attorney General's
11 office, would authorize the filing of those actions,
12 in which event it would be reported as having been
13 authorized. I mean, on the other hand, it can still be
14 reported that this has been requested by the Attorney
15 General that there be authorization for undertaking these
16 actions, and under those circumstances, even up to this
17 moment, everything that is in the proposed draft of the
18 report is factual, is historically factual, as far as
19 actions that have been undertaken by the staff on behalf
20 of the State Lands Commission in carrying out the
21 studies directed under Chapter 2000 of the Statutes of
22 1957. There are no conclusions as to what the ultimate
23 outcome will or could be.

24 CHAIRMAN PEIRCE: Do any members of the Commission
25 have any questions to direct to Mr. Shavelson?

26 MR. KIRKWOOD: Well, it seems to me, Mr. Chairman,

1 as I understand it, that these recommendations for
2 filing certain actions are recommended because time is
3 running out on us and each day of delay, granted that
4 we are successful in the actions, would cause some loss
5 to the State, so that it does seem to me that probably
6 we should go ahead with the authorization that the
7 Attorney General's office has suggested.

8 As I understand it, this runs only in certain
9 areas where you feel that we should move without the
10 review of independent counsel, and that in other areas,
11 before any action is recommended, that there will be
12 such a review by an independent counsel; is that correct?

13 MR. SHAVELSON: Yes, sir, except that we have
14 included the specific areas where we intend to proceed
15 immediately for formal purposes. We have asked for
16 authorization to commence any proceedings and to take
17 any other legal steps that we regard as necessary to
18 protect the State's position at this time. In general
19 terms, we have asked for a broader authorization on the
20 specific things that we presently have in mind.

21 MR. KIRKWOOD: Moving into different properties or
22 within the proceedings with reference to the same
23 properties?

24 MR. SHAVELSON: Well, actually --

25 MR. KIRKWOOD: I mean, are you asking for a general
26 authorization that would move us into different

1 litigation -- I mean, with different parties and covering
2 different lands?

3 MR. SHAVELSON: That is the possibility.

4 MR. KIRKWOOD: Why shouldn't that be reviewed by
5 us at the time when need for filing comes in?

6 MR. SHAVELSON: All right. Then, in that event,
7 the State Lands Commission's approval, then, would have
8 to commence the proceedings that we mentioned and to mail
9 the notices that we referred to in our report to the
10 Commission, and we will come back to the Commission for
11 subsequent approval if we intend to broaden the scope of
12 our action?

13 MR. KIRKWOOD: That would be in your report to us,
14 the three recommendations on the last two pages?

15 MR. SHAVELSON: Yes.

16 MR. KIRKWOOD: Where is the language of our report
17 that we are going beyond what you are saying there?

18 MR. HORTIG: Only in the introductory paragraphs
19 and the comment that the Commission has authorized it;
20 that was perspective language.

21 CHAIRMAN PEIRCE: Well, you can modify the language
22 along the line of Mr. Hortig's suggestion.

23 MR. HORTIG: Yes, sir.

24 MR. KIRKWOOD: If that is the only way we can act on
25 it, I would be interested in the view of the other members
26 of the Commission.

1 CHAIRMAN PERICE: Governor Powers, do you have any
2 suggestion?

3 LT. GOVERNOR POWERS: No. I think we discussed this
4 the other day. I think that I agree.

5 MR. KIRKWOOD: That isn't going to delay you?

6 MR. SHAVELSON: No, sir.

7 LT. GOVERNOR POWERS: That is the proper way.

8 CHAIRMAN PEIRCE: I also concur in that suggestion.

9 All right, then, let us proceed on that basis,
10 Mr. Hortig.

11 MR. HORTIG: Yes, sir.

12 CHAIRMAN PEIRCE: Is there anything further? Do you
13 want us to approve the recommendation that the report be
14 submitted to the Legislature?

15 MR. HORTIG: That a report be submitted.

16 LT. GOVERNOR POWERS: I approve.

17 MR. KIRKWOOD: Second it.

18 CHAIRMAN PEIRCE: All right. The recommendation as
19 modified is approved.

20 MR. HORTIG: May we have it clear that Mr. Shavelson
21 has a request that the resolution of the Commission is
22 also to indicate the Commission's authorization to commence
23 the action, which authorization was requested by Mr.
24 Shavelson, but limited at this time to the actions specified
25 in the report which is before you gentlemen, and not to be in
26 any form construed as all-inclusive, any subsequent actions

1 to be the matter of -- any proposed subsequent actions to
2 be the matter of a later review by the Commission.

3 CHAIRMAN PEIRCE: That is understood.

4 MR. SHAVELTON: Perhaps we had better have on the
5 record the specific actions. I don't think they have
6 been mentioned yet. Do they appear in any calendar item,
7 Frank?

8 MR. HORTIG: They do not, merely in your report, Mr.
9 Shavelton, as well as in the draft of the report that the
10 Commission has before it.

11 MR. SHAVELTON: Well, then, we had better get a
12 resolution in the form of those particular proposed acts.

13 MR. HORTIG: Right. We will state those specifically.

14 MR. KIRKWOOD: Would you read that part of your
15 report?

16 MR. SHAVELTON: All right. The third paragraph on
17 page 3 of our report states that the Attorney General
18 regards as necessary for protection of the State's interests
19 the early accomplishment of the following:

20 (1) The commencement of litigation against
21 the Union Pacific Railroad Company, Los Angeles and Salt
22 Lake Railroad Company, Southern California Edison Company,
23 and the City of Long Beach for the purpose of testing the
24 validity and binding effect upon the State of the Judgment
25 in case No. 340-RJ-Civil in the District Court of the
26 United States in and for the Southern District of California,

1 Central Division; determining the legal status of lands
2 involved in said case; and seeking certain additional
3 relief in connection with said case and the lands involved
4 therein.

5 (2) The service upon the City of Long Beach of
6 a request to render an accounting for certain lands,
7 easements, well sites and other things of value received
8 by the city in connection with the termination of said
9 case, that is, case No. 340-RJ-Civil, and other contempor-
10 aneously litigated cases between the city and certain
11 private landowners in the Long Beach Harbor District.

12 (3) Service upon the City of a request to
13 commence proceedings as trustee for the State to determine
14 the legal status of certain portions of lands claimed by
15 the Craig Shipbuilding Company and others. That land is
16 claimed by others and these statements are necessarily in
17 very general terms, and the Attorney General's actions
18 should not be deemed to be restricted by the specific
19 language, but only to commence litigation and to send
20 notices of this general nature.

21 CHAIRMAN PEIRCE: Your pleasure, gentlemen?

22 MR. KIRKWOOD: Well, what you want is a double motion
23 here, that we are authorizing the Attorney General to
24 proceed on these three matters and authorizing you to
25 report; is that right?

26 MR. HORTIG: That is correct.

1 MR. KIRKWOOD: I so move for approval.

2 LT. GOVERNOR POWERS: Second it.

3 CHAIRMAN PEIRCE: All right. You heard the motion.
4 It has been seconded. The recommendation is approved.
5 Thank you, Mr. Shavelson.

6 The next item.

7 MR. HORTIG: Page 29, gentlemen. By Statutes of 1947
8 the Legislature granted certain tide and submerged lands
9 to the Moss Landing Harbor District in furtherance of
10 navigation, commerce and fisheries.

11 The granting statute provided in part that
12 within ten years from the effective date of this act, said
13 lands shall be substantially improved by the district,
14 without expense to the State, and if the State Lands
15 Commission determines that the district has failed to
16 improve said lands as herein required, all right, title
17 and interest of said district in and to all lands granted
18 by this act shall cease and said lands shall revert and
19 vest in the State.

20 A report on the development activities of the
21 Moss Landing Harbor District, submitted by the District,
22 has been reviewed. In addition, the developments have been
23 inspected in the field periodically by the State Lands
24 Division, generally in connection with field reviews and
25 surveys necessary for establishment of the boundaries of
26 portions of the granted lands.

1 In summary, it has been found there have been
2 developments within the Moss Landing Harbor District on
3 lands granted under Chapter 1190, Statutes of 1947, to the
4 point that it is recommended that the Commission find that
5 the Moss Landing Harbor District has substantially improved
6 the tide and submerged lands granted by Chapter 1190,
7 Statutes of 1947, as required by that Act, and authorize
8 the Executive Officer to transmit a report of this finding
9 to the State Legislature, and to the Moss Landing Harbor
10 District.

11 CHAIRMAN PEIRCE: Is this the first time that this
12 particular kind of action has been taken by the Commission?

13 MR. HORTIG: Yes, sir, for the reason that the Moss
14 Landing Harbor District Grant Act is the oldest grant act
15 within which the requirement for review by the Lands
16 Commission was adopted by the Legislature. This is the
17 first act that has reached the age of ten years requiring
18 a review by the Lands Commission. There will be another
19 one forthcoming two years hence with respect to Bolinas
20 Harbor -- excuse me -- Bodega Harbor.

21 CHAIRMAN PEIRCE: Where is this Moss Landing?

22 MR. HORTIG: Moss Landing Harbor District is in
23 Monterey County at the mouth of the Salinas River.

24 A representative of the Moss Landing Harbor
25 District, Mr. Bloom, is with us if the Commission desires
26 any comment or has any specific questions.

CHAIRMAN PEIRCE: We are merely submitting this finding

1 to the Legislature and the Legislature has to take action
2 thereon?

3 MR. HORTIG: The language of the act, gentlemen,
4 isn't completely clear to us. As you see from the
5 quotation from the act, there is only a conclusion to be
6 reached if the Commission were to make a negative finding.
7 In this instance there was an affirmative finding, and the
8 only reasonable disposition we can see of the affirmative
9 finding is to let the Legislature know that there wasn't
10 a necessity for a negative finding and we didn't get the
11 lands back.

12 CHAIRMAN PEIRCE: Well, when does title transfer,
13 then, permanently?

14 MR. HORTIG: Well, title is ultimately transferred
15 at the time of the grant, but it was subject to termination
16 after ten years if there had been no developments. There
17 having been reasonable and substantial developments, it
18 appears that this is the final action required on behalf
19 of the State Lands Commission under the terms of this act.

20 CHAIRMAN PEIRCE: Now, does this remove any cloud
21 that might exist on the title by virtue of the fact that
22 the District has complied with the laws and developed the
23 area, and if we take no contrary action, then it has final
24 title; is that right?

25 MR. HORTIG: That is the result, sir.

26 CHAIRMAN PEIRCE: Any questions?

1 MR. KIRKWOOD: I am just curious, Frank. Is this
2 really the Salinas River or is it that slough that comes
3 down there?

4 MR. HORTIG: It is a culmination of the mouth of the
5 Salinas River, Moro Kojo Slough and Bennett Slough, now
6 blocked off. There are an entire series of sloughs that
7 were in the flood plain at the mouth of the Salinas River.
8 The principal water course and the principal amount of
9 water from the upland is actually Salinas River.

10 MR. KIRKWOOD: The harbor you speak of is the one
11 right there by the P G & E plant?

12 MR. HORTIG: Well, this is the mouth of the Salinas
13 River.

14 CHAIRMAN PEIRCE: Any further questions? Okay.

15 MR. KIRKWOOD: Recommend approval.

16 LT. GOVERNOR POWERS: Yes. All right. Second it.

17 CHAIRMAN PEIRCE: The motion has been made and
18 seconded that the recommendation be approved. So will be
19 the order.

20 The next item.

21 MR. HORTIG: We turn to page 4, gentlemen, and then
22 proceed in a series. I believe we have covered all the
23 personal representations here this morning.

24 Page 4, under Oil and Gas Lease Renewal and
25 extension previously issued by the Commission for the
26 maintenance of a single well in the tidelands at Huntington

1 Beach, a well has been abandoned after it was no longer
2 mechanically practicable to operate the well, and the
3 lessee has requested termination of the lease by mutual
4 consent, and it is recommended that the Commission authorize
5 the termination of oil and gas lease extension and renewal
6 P.R.C. 990.1 by mutual consent effective this date.

7 MR. KIRKWOOD: So move.

8 LT. GOVERNOR POWERS: Second it.

9 CHAIRMAN PEIRCE: The recommendation is approved.

10 MR. HORTIG: Page 5. On November 12, 1957, the
11 Commission authorized the modification of the terms of oil
12 and gas lease P.R.C. 427.1 as requested by the lessee, the
13 General Petroleum Corporation, to incorporate the provisions
14 of Section 6873, Subdivision (a), of the Public Resources
15 Code.

16 The additional authorizations available under
17 Section 6873 are enumerated under Sections (a) through
18 (d), and the lessee, the General Petroleum Corporation, has
19 now requested further modification of the lease to incorporate
20 the benefits of Subdivisions (b), (c) and (d) of the same
21 Section 6873. This would be in conformance with authoriza-
22 tions that the Commission has granted heretofore for other
23 lease amendments to incorporate the entire benefits of
24 Section 6873 for additional operating flexibility and other
25 advantages.

26 It is the opinion of the office of the Attorney

1 General that the lease may be so modified, and it is
2 recommended that the Commission approve the further
3 modification of the terms of oil and gas lease P.R.C. 427
4 as requested.

5 MR. KIRKWOOD: Recommend approval.

6 LT. GOVERNOR POWERS: Second it.

7 CHAIRMAN PEIRCE: The recommendation is approved.

8 MR. HORTIG: Page 6. Oil and gas lease P.R.C. 735
9 was issued in 1952 to the Standard Oil Company of California
10 at Montalvo, Ventura County, pursuant to competitive public
11 bidding. This lease requires that the lessee shall
12 commence operations for the drilling of a succeeding well
13 within thirty days after completion of a well until there
14 is drilled one well for each twenty acres if production is
15 obtained from a depth greater than 6000 feet.

16 Since January 1, 1953 when drilling operations
17 were commenced, twelve wells have been drilled and are
18 producing and are producible. One well is currently being
19 drilled. All wells were drilled to a depth greater than
20 6000 feet. Two were unproductive. Two of the originally
21 productive wells have been shut in recently due to the
22 fact that they are no longer capable of sustaining
23 commercial production.

24 A request has been received from the lessee for
25 a one-year deferment of further drilling requirements in
26 order to review and evaluate geological and engineering

1 information to determine the economic feasibility of a
2 further development on the lease.

3 It is recommended that the Commission authorize
4 the grant to Standard Oil Company of California of a
5 deferment of drilling requirements under oil and gas
6 lease P.R.C. 735.1 until February 10, 1959. The grant of
7 deferment is subject to the express condition that during
8 the period of deferment the lessee will perform one of the
9 following actions:

- 10 1. Initiate development on the lease;
- 11 2. Quitclaim the undeveloped lease area;
- 12 3. Present new adequate bases for any further
13 consideration of the deferment of drilling requirements
14 under the lease.

15 CHAIRMAN PEIRCE: Any questions?

16 MR. KIRKWOOD: Move it be so approved.

17 LT. GOVERNOR POWERS: Second it.

18 CHAIRMAN PEIRCE: The recommendation is approved.

19 MR. HORTIG: Page 7. On January 28, 1958, one bid
20 was received in response to a published notice of intention
21 to enter into a lease for the extraction of chrome ore
22 from 320 acres of vacant State school land.

23 It is recommended that the Commission authorize
24 the issuance of a mineral extraction lease to Willard L.
25 Johnson, the highest qualified bidder, in accordance with
26 the provisions of the Public Resources Code and the

1 established schedules of the Commission, and the bid of
2 Mr. Johnson for this chrome lease.

3 MR. KIRKWOOD: Move that it be approved.

4 LT. GOVERNOR POWERS: Second it.

5 CHAIRMAN PEIRCE: Moved and seconded. The recommenda-
6 tion is approved.

7 MR. HORTIG: Page 8. On January 27, 1958, one bid
8 was received pursuant to a published notice of intention
9 to enter into a lease for mineral extraction and as a
10 right of way across lands in the beds of Owens Lake to be
11 utilized as a right of way for extraction of minerals
12 from brine produced by wells drilled along the right of
13 way. The minimum bid received was equal to the minimum
14 bid required by the statutes.

15 It is recommended that the sole bidder, Columbia-
16 Southern Chemical Corporation, be issued a mineral extrac-
17 tion lease in accordance with the requirements of the
18 Public Resources Code, the bid received, and the standard
19 prescribed schedules of the State Lands Commission.

20 MR. KIRKWOOD: Recommend approval.

21 LT. GOVERNOR POWERS: Yes. That is all right.

22 CHAIRMAN PEIRCE: The recommendation is approved.

23 MR. HORTIG: Page 11.

24 MR. SMITH: Sale of vacant State school land.

25 It is recommended that the Commission authorize
26 the sale of vacant State school land, for cash, at the

1 highest offer, in accordance with the following tabulation,
2 such sales to be subject to all statutory reservations
8 including minerals, and there follows a tabulation of
4 five separate sales. There is no controversy on any one
6 of these.

6 MR. KIRKWOOD: Recommend approval.

7 LT. GOVERNOR POWERS: Second it.

8 CHAIRMAN PEIRCE: Moved and seconded that the
9 recommendation be approved. So will be the order.

10 MR. KIRKWOOD: This is just that desert land that is
11 going at \$60.00 an acre?

12 MR. SMITH: That is correct. It is Mrs. Thurber's
13 land. If you will recall, she appeared before the Commission
14 for that area up in Apple Valley -- Lucerne Valley. Excuse
15 me.

16 MR. HORTIG: Page 18. On August 8th the Commission
17 adopted a general authorization for proceeding with the
18 sale of land described in Chapter 1701, Statutes of 1957,
19 which was authorized for sale by the Legislature.

20 The subject land consists of a portion of land
21 originally reserved by the Board of Tideland Commissioners
22 in the 1870's for the dredging of a Guadalupe canal, which
23 was never actually dredged, in fact.

24 In order to provide a standard basis of procedure
25 with the sale of these lands so that all prospective
26 bidders could be equally informed, it is recommended that

1 the Commission authorize the revision of the resolution
2 of August 8th to include a specification that the lands
3 will be sold pursuant to competitive public bidding and in
4 accordance with the provisions of Section 2302 of the
5 established Rules and Regulations of the Commission which
6 already cover the procedure for the sale of unoccupied
7 lands not suitable for cultivation.

8 MR. KIRKWOOD: Recommend approval.

9 LT. GOVERNOR POWERS: Second it.

10 CHAIRMAN PEIRCE: The recommendation is approved.

11 MR. HORTIG: Page 20. As the Commission is already
12 aware, since the creation of the Colorado Boundary
13 Commission in 1953, engineering, administrative and other
14 services have been furnished the Boundary Commission by
15 the State Lands Commission through the State Lands Division
16 under this Inter-Agency Agreement.

17 MR. KIRKWOOD: Move the approval.

18 MR. HORTIG: In continuing this procedure the
19 Commission's authorization is necessary for execution of
20 a current service contract.

21 CHAIRMAN PEIRCE: The recommendation is approved.

22 MR. HORTIG: Pages 21 through 27, gentlemen, cover the
23 results of a study of the various standard forms that the
24 Commission has utilized in connection with the issuing of
25 leases, easements, agreements, rights of way easements,
26 et cetera, and it was found that: provisions for "signature

1 dates" contemplate signature by both parties at the same
2 time, a condition which rarely, if ever, occurs.

3 The forms, the legal forms of closing used for
4 various types of agreements, are not uniform.

5 Some forms provide for required acknowledgments;
6 some do not, and none of the forms in use provide for
7 corporate resolutions authorizing execution of agreements
8 on the part of the lessee, and these, in turn, are necessary
9 in order to provide for recordation in particular counties.

10 Therefore, all forms in use by the Commission
11 were reviewed by the office of the Attorney General with
12 revised recommended forms of closing to be incorporated in
13 these standard forms set forth in the following pages, and
14 it is recommended that the Commission authorize and approve
15 the revision of agreement forms used to transact Commission
16 business as detailed in Exhibit A attached in order to
17 provide for this standardization and clarification with
18 respect to all business forms of the Commission.

19 MR. KIRKWOOD: Move the approval.

20 LT. GOVERNOR POWERS: Second it.

21 CHAIRMAN PEIRCE: What you are trying to do is to
22 streamline these forms that have become obsolete in certain
23 respects?

24 MR. HORTIG: Yes, and to standardize and to eliminate
25 actually what have been deficiencies for many years.

26 CHAIRMAN PEIRCE: The recommendation is approved.

1 MR. HORTIG: Page 28. Under Chapter 2012 of the
2 Statutes of 1957, the Commission is authorized to sell
3 land at the confluence of the Sacramento and San Joaquin
4 Rivers known as Chain Island.

5 The statutory description of the area authorized
6 to be sold is based on a survey made in 1902, and from
7 observations by the Commission's staff, it was felt that
8 the island in existence did no longer necessarily coincide
9 with the 1902 survey. A resurvey has been completed. The
10 present area of the land is 41.8 acres rather than 53.6
11 acres as originally surveyed by a private surveyor in
12 1902, and it is recommended that the Executive Officer be
13 authorized to approve and have recorded the map entitled
14 "Survey of the mean high tide line along the shore of
15 Chain Island, vicinity of Collinsville, Sacramento County,
16 California," dated November, 1957.

5 17 MR. KIRKWOOD: I move the approval.

18 LT. GOVERNOR: POWERS: Yes, I will second the approval.

19 CHAIRMAN PEIRCE: The recommendation is approved.

20 MR. HORTIG: I want to verify this with the secretary,
21 Mr. Peirce. Does that complete all of it?

22 MISS STAHL: Page 43.

23 MR. HORTIG: Thank you. Page 43. There follows on
24 pages 43 through 45 a tabulation of actions completed by
25 the Executive Officer under delegation of authority --

26 MR. KIRKWOOD: I move for its confirmation.

1 MR. HORTIG: -- in the issuance of routine rights of
2 way, et cetera.

3 CHAIRMAN PEIRCE: The recommendation confirming your
4 actions is approved.

5 MISS STAHL: And there is one special item, Mr. Hortig.

6 MR. HORTIG: If the Commission please, Mr. Sam
7 Roberts, the Director of Finance of the City of Long Beach,
8 is present and wishes to make a verbal presentation to the
9 Commission this morning with respect to projects under way
10 in behalf of the City of Long Beach in connection with
11 administration of subsidence control programs and leading
12 particularly to the point of a request that the Commission
13 enlist the assistance of the staff and review by the
14 Attorney General for cooperation with the City of Long
15 Beach on this project. If the Commission will permit, I
16 am sure that Mr. Roberts can present this very briefly
17 and desires to do so.

18 CHAIRMAN PEIRCE: Mr. Roberts, the Director of Finance
19 of the City of Long Beach.

20 MR. ROBERTS: Actually there are two items. We are
21 very sorry that they did not reach Mr. Hortig early enough
22 last week to go on your agenda.

23 In the first item we respectfully request that
24 the State Lands Commission take under advisement the
25 question as to the use of Long Beach tideland funds to
26 finance installations, machinery and equipment in a

1 repressuring program designed to arrest subsidence in the
2 Long Beach-Los Angeles area. We request that your staff
3 explore the subject and also submit it to the State Attorney
4 General for an opinion as to the legal limitations which
5 may be involved, the procedures that would have to be
6 followed, and whether it is essential that there be any
7 legislation to clarify the authority, and, if so, what part
8 of the State Code needs admendment.

9 Now, with my letter on this matter -- the letter
10 explains in some detail what this problem is -- we have
11 attached opinions from our own City Attorney, concurred in
12 by special counsel, an opinion rendered to Assemblyman
13 Grant, by the Legislative Council Bureau on this subject.
14 I might say, in general the opinions seem to hold that
15 there is a possibility that our tideland funds could be
16 used to finance repressuring installations. I might say
17 that there are no real problems if we could get this re-
18 pressuring program under way in time to do any good in
19 arresting subsidence.

20 The technical studies to date indicate that while
21 in general secondary recoveries may come from this re-
22 pressuring program and may prove profitable, it is entirely
23 possible that some phases of it will not. There is also
24 real difficulty in obtaining, you might say, cooperation
25 from oil companies in doing this job as fast as it needs
26 to be done because of the capital requirements involved.

1 In our memorandum we have suggested various
2 things that we think should be analyzed. We think that
3 there are possibilities, say, of installing the machinery
4 and leasing it to the operators or to the units so that
5 substantially a great deal of any moneys put up or invested
6 in this probably can be recovered.

7 We would point out that our preliminary estimates
8 are that the repressuring installations will run in the
9 neighborhood of \$32,000,000. In view of the fact that the
10 City tidelands production is about 45 per cent, we would
11 guess fourteen or fifteen million dollars of it would be
12 paid, anyway, by the City's drilling and operating
13 contractors out of their reimbursement allowance, which,
14 in effect, reduces the City's and State's income somewhat.

15 What we are talking about is actually the
16 possibility of using sixteen or seventeen million dollars
17 to finance installations in the other areas of the field,
18 with very good likelihood that all or most of the money
19 would be recovered.

20 I think it is obvious, in view of the subsidence
21 damage that has occurred and is occurring in the future,
22 that there might be a very sound program of this type
23 developed which any possible loss would be more than saved
24 on the remedial damage in the future. We think this
25 deserves thorough analysis, and the thing we are asking is
26 that you authorize your staff to go into this and authorize

1 your staff to seek the assistance of the Attorney General's
2 office of the many legal problems that might be involved.

3 CHAIRMAN PEIRCE: I would say that Governor Knight
4 has announced that he will call a special session of the
5 Legislature to consider subsidence legislation, and it
6 would be my opinion that should the Legislature act
7 favorably upon this matter, that our staff should be
8 studying the subject as suggested by Mr. Roberts, and I
9 think it would be very much in order for us to take this
10 recommendation under advisement for the purpose of referring
11 it to our staff for study and report.

12 Are there any questions, gentlemen?

13 MR. KIRKWOOD: Does this involve any change in the
14 law? Aren't we restricted to expenditures within the
15 harbor area for subsidence work?

16 MR. ROBERTS: It involves the Wilmington field
17 possibly as a whole. The opinion that we have had to date
18 from our attorneys and Legislative Council Bureau indicate
19 that probably this can legally be done under present law.
20 However, we think it needs further investigation.

21 MR. KIRKWOOD: Well, is this something that you would
22 be hopeful of accomplishing if some change in the law
23 would be made; that it would come under the special
24 session of the Legislature?

25 MR. ROBERTS: Yes. In short, if, in the analysis of
26 this, the Attorney General's staff should find that it is

1 desirable to clarify the statutes under which we handle
2 tideland funds, we would want to put that in at the time of
3 this special session that the Governor has called, and I
4 believe will come under the general title that he has
5 called the session out. So we do think that this requires
6 prompt action, without asking you to make a policy
7 determination. There are many problems in this that have
8 to be further analyzed.

9 CHAIRMAN PEIRCE: Any further questions?

10 MR. KIRKWOOD: Do we have the staff?

11 CHAIRMAN PEIRCE: Mr. Hortig?

12 MR. HORTIG: No questions, sir.

13 CHAIRMAN PEIRCE: You have no objection to our taking
14 it under advisement and referring it to you for analysis?

15 MR. HORTIG: No, sir.

16 CHAIRMAN PEIRCE: Does it meet with your approval,
17 gentlemen?

18 MR. KIRKWOOD: Yes.

19 LT. GOVERNOR POWERS: Yes.

20 CHAIRMAN PEIRCE: All right. So will be the order.

21 MR. ROBERTS: One other item of little lesser nature.
22 The City of Long Beach respectfully requests that the
23 State Lands Commission authorize an expenditure of up to
24 \$40,000 between the present date and June 30, 1958, for the
25 purpose of financing the City administrative expenditures
26 in connection with the subsidence control program.

1 With this letter we have attached certain exhibits
2 showing the functional organizational charts, and so on,
3 that set forth what we are trying to do in creating a
4 subsidence control administration, also a budget for this
5 operation. I might point out that the actual budget which
6 is attached shows an estimate of \$30,925.00. This is
7 somewhat less than the authorization limit requested of
8 \$40,000, the difference being an amount that we think
9 should be available for contingencies which cannot be
10 specifically estimated at the present time.

11 I might also note that a great deal of the work
12 of this office will involve promotion of field unitization,
13 coordination of our consulting engineering program, and so
14 forth, and in the final analysis may be chargeable to oil
15 production expense before the net revenues are shared with
16 the State. We would suggest, however, that the funds be
17 allowed more on the gross basis because we believe that
18 we have some problems between our own auditors and the
19 State auditors in establishing some standards as to what
20 things are subsidence and what things are oil production.
21 These things are so closely related that, frankly, until
22 we have worked out better standards we hesitate to say
23 that half of this or two-thirds of that will be chargeable
24 to oil.

25 What we are creating, briefly, is what you might
26 call a management team to work on this problem. Actually,

1 the team has been working on it but in a less formalized
2 manner than we proposed. It involves a subsidence control
3 administrator, an assistant administrator, an administrative
4 aid, plus possible assignment of a full-time attorney from
5 the City Attorney's office to work on this program.

6
7 CHAIRMAN PEIRCE: Mr. Hortig, what is your comment
8 with respect to this recommendation?

9 MR. HORTIG: Well, this would appear to be a project
10 approval request identical in type as to other project
11 approval requests that have been submitted heretofore by
12 the City of Long Beach, and I feel should be given the
13 same staff review determination as to the legal sufficiency
14 by the office of the Attorney General, and then be reported
15 back to the Commission at the earliest date.

16 CHAIRMAN PEIRCE: Does that meet with the approval
17 of the Commission?

18 MR. KIRKWOOD: Yes, sir. It is all right with me.

19 CHAIRMAN PEIRCE: You want action today?

20 MR. ROBERTS: If I may make a suggestion, we have
21 been working under a great deal of pressure on this thing,
22 and we would like to have had it in much earlier so that
23 the proper staff review would take place and we would
24 welcome such review if it would be possible to consider
25 this. The one reason we came in with it today was
26 that we realized that you don't meet again in approximately
a month, and actually we want to start in full

1 operation within about a week, and I might suggest, if
2 you would be willing, to go along, say, to the tune of
3 about \$10,000 until your staff review is complete on the
4 thing and have examined the program.

5 CHAIRMAN PEIRCE: Well, Mr. Hortig has made this
6 suggestion; that there may be some legal points that
7 should be reviewed by the Attorney General before we take
8 any action, and we can't very well take any action in part
9 if there is some question concerning the legality of the
10 action.

11 Is that correct, Mr. Hortig?

12 MR. HORTIG: Well, we have no basis at this moment
13 of knowing independently whether we have a problem, Mr.
14 Peirce, and until we have reviewed it we wouldn't know.
15 Until we have reviewed it in detail, we cannot give a
16 considered recommendation to the Commission.

17 MR. ROBERTS: I think it would be entirely satisfactory
18 if you just defer it. It has been called to your attention
19 and when you do consider it next month, you may be asked
20 for an approval of a prior expenditure, as we have had to
21 do in the past, and in which cases, generally, we have
22 borne the entire amount from the City's tideland funds
23 without the State sharing in it. That might be the answer.

24 CHAIRMAN PEIRCE: Can we approve a prior expenditure?

25 MR. HORTIG: No, sir.

26 MR. KIRKWOOD: The City picks up the whole bill up to

1 the time of our approval?

2 MR. ROBERTS: Yes, that is the way it works out. In
3 short, after this is examined by the Attorney General and
4 your staff, I presume that they find that it is okay, and
5 you do approve from the time forward, we would then ask
6 your approval of some prior expenses at the expense of the
7 City of Long Beach that was shared as much as was done on
8 the approvals last summer on our consulting engineering
9 contracts, and so on.

10 CHAIRMAN PEIRCE: All right, Mr. Roberts, that
11 recommendation will also be taken under advisement.

12 MR. ROBERTS: Thanks.

13 CHAIRMAN PEIRCE: Is there any other business to come
14 before the Commission, Mr. Hortig?

15 MR. HORTIG: No, sir.

16 CHAIRMAN PEIRCE: If not, the meeting will stand
17 adjourned.

18 (The hearing was adjourned at 12:00 o'clock noon.)

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1 IN THE MATTER OF THE MEETING
2 OF THE STATE LANDS COMMISSION
3 HELD AT LOS ANGELES, CALIFORNIA.

CERTIFICATE
OF
REPORTER

4
5 I, JOHN J. RABASA, Reporter for the State Lands
6 Commission of the State of California, hereby certify that
7 the foregoing is a full, true and correct transcript of
8 the stenographic notes taken by me in this matter, on the
9 date hereinbefore specified, and that the same is a full,
10 true and correct record of the proceedings had in the same
11 matter before the State Lands Commission of the State of
12 California.

13 Dated at Los Angeles, California, on March 4, 1958.

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16 Reporter
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