BEFORE THE STATE LANDS COMMISSION
OF THE
STATE OF CALIFORNIA

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. FEIRCE, 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 F. 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 J. 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
### INDEX

#### SPEAKERS

<table>
<thead>
<tr>
<th>Name</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. H. KEPLINGER</td>
<td>8</td>
</tr>
<tr>
<td>HERMAN H. KAVELER</td>
<td>8</td>
</tr>
<tr>
<td>PAUL K. HOME</td>
<td>22</td>
</tr>
<tr>
<td>HAROLD LINGLE</td>
<td>34</td>
</tr>
<tr>
<td>JAY L. SHAVELSON</td>
<td>41</td>
</tr>
<tr>
<td>S. M. ROBERTS</td>
<td>63</td>
</tr>
</tbody>
</table>

#### AGENDA ITEMS

- Approval of Minutes, January 13, 1958: 5
- Calendar Page 1: 6
  - " 2: 30
  - " 32: 32
  - " 33: 35
  - " 35: 36
  - " 37: 37
  - " 39: 38
  - " 41: 38
  - " 31: 39
  - " 29: 51
  - " 4: 54
  - " 5: 55
  - " 6: 56
  - " 7: 57
  - " 8: 58
INDEX (Continued)

Calendar Page 11
  " 18 58
  " 20 59
  " 21 through 27 60
  " 28 62
  " 43 62

Special request of the City of Long Beach 63

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

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

MR. KIRKWOOD: Recommend approval.

LT. GOVERNOR POWERS: I second the approval.

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

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

MR. HORTIG: The next regular meeting of the State Lands Commission should be planned, as is normally
necessary, due to certain time commitments, for early in the month of March, Mr. Peirce. However, it is not essential at this moment that the exact date of that be set.

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

CHAIRMAN: PEIRCE: All right.

LT. GOVERNOR POWERS: That will be in Sacramento?

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

LT. GOVERNOR POWERS: Right.

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

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

Or January 13, 1958, Dr. H. Kaveler and Mr. J. Wanenmacher of the firm of Keplinger and Wanenmacher presented progress reports on surveys undertaken for the
Commission on oil and gas leasing procedures to secure the best interests of the State under existing law. At that time the Commission directed that final reports of the Consultants be made public not later than the next meeting date of the Commission. Copies of the final joint report of the Consultants have been distributed to all organizations in attendance at the January 13th meeting, with the Western Oil and Gas Association for further distribution to the Association membership, and to Assemblymen Allen, Burton, Hanna and Miller, members of the Assembly Judiciary Subcommittee on Tidelands. Dr. Kaveler and Mr. Keplinger are available to review the joint report for the Commission.

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

CHAIRMAN PEIRCE: Two of the Consultants are here today, Mr. Kaveler and Mr. Keplinger. Mr. Keplinger is the partner of Mr. Wanenmacher, who was at the last meeting of the Commission, and if the other two members of the Commission concur, I would like to suggest that they present their report to us today, particularly in
reference to the recommendations contained therein, and then it may be that persons in the audience may desire to ask questions in further amplification of the findings and recommendations contained in the report, and then it may be that the Commission should decide to take the report under advisement and that will give an opportunity to our staff to analyze the report and submit their thinking with respect to the conclusions contained therein; also, that will give others an opportunity to discuss with us further the findings contained in the report.

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

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

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

MR. KEPLINGER: Mr. Chairman, members of the Commission: On behalf of the Consultants we want to express our appreciation for the staff's help in acquainting us with the problems, and also we want to thank the members of industry who have given us their time, actually far beyond what we had anticipated, so that we would know
all the ramifications of this problem.

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

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

Our recommendations are set out in the first part of our report, which is dated February the 3rd, 1958, and they are on the basis of determining a leasing policy, determining rules and regulations based upon
sound petroleum engineering principles. The Consultants, or your consultants are petroleum engineers, and it is on the basis of sound conservation and sound operating policies that we make these recommendations to you.

Our recommendations concerning tideland oil and gas leasing policy are:

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

II. The Commission should maintain an adequate staff to provide its own source of interpretation of the facts that are developed in respect to any tract proposed to be leased, and in respect to producing
operations on State lands.

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

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

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

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

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

VIII. The Commission should offer wildcat leases on a cash bid with a specified royalty of \( P/(5 + 0.01P) \), where "\( P \)" refers to barrels per day per well, with a specified maximum not in excess of 40 to 50 per cent, that is, a specified maximum royalty; and, proven or probably productive leases on a royalty bid factor for the formula \( P/(3*0.01P) \), where "\( P \)" represents barrels per day per well, with a specified maximum of 100 per cent, that is, royalty, and an appropriately high first-year rental specified. The minimum royalty should at all times be \( 16.2/3 \) per cent since the Commission cannot renegotiate royalties in the stripper stage or in the case of otherwise uneconomic royalty burden.

IX. Gas and oil product royalties in wildcat leases should be at 20 per cent, and, for proven or probably productive lands at \( 33 1/3 \) per cent.

X. No provision to share cost of dehydration of oil should be made.
XI. The right to determine well-head prices for purpose of determining royalty due under any State lease should be reserved to the Commission in every lease.

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

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

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

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

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

XVII. "Average-production-per-well-per-day" for purposes of computing royalty due on oil should be
determined on the basis of monthly oil production, calendar days in the month, the number of bona fide "producing" wells as determined by the Commission, days each such producing well operates, and counting operated injection wells as producing wells, if such injection wells were previously approved by the Commission. Dually completed wells completed on approval of the Commission would be counted as a producing well for each separate zone that qualifies as a "producing" well.

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

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

Now, the back portion of the report — in the back part of the report the various recommendations are discussed in detail, and at this time I don't know of any point which should be clarified. We have, of course, offered the Commission a little leeway in our recommendations as to the exact area, the exact acreage which should be submitted, and in reference to our recommendation No. 9, "gas and," that should be corrected to be "gas and
gas products royalty." This is a typographical error.

I believe that is all we have.

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

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

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

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

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

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

CHAIRMAN PEIRCE: In other words, after you have
completed your analyses of this report and we then take it up for final decision, we would have our consultants with us for further advice on this matter.

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

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

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

CHAIRMAN PEIRCE: Mr. Kirkwood

MR. KIRKWOOD: With reference to the staff, you suggest that there should be an adequate staff. Do you have in mind any particular changes that should be made or have you developed in your own thinking any different
kind of a staff pattern that is any different than what we presently have?

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

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

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

MR. KIRKWOOD: I think it could be very helpful,
Mr. Chairman, if the Consultants, again sitting down with
Mr. Hortig, could give us some indication as to what in
their mind would give us this sort of a staff. I think
we need some technical assistance on that, too.

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

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

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

MR. HORTIG: Well, in effect, it results in a recommendation of returning the Commission's lease bid form to the condition in which it was prior to the last lease offer, which, for the first time, included provisions for possible State participation in economic burdens of subsidence protection.

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

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

MR. KIRKWOOD: Are we going to be able to get these differences boiled down somewhere in outline ahead of the
next meeting so we can review it?

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

CHAIRMAN PEIRCE: Do you contemplate having two columns, for example, with our Consultants' recommendations, or possibly three columns, then their recommendations, your concurrence or nonconcurrence, and then the industry's comments and recommendations with respect to columns 1 and 2?

MR. HORTIG: That will be one mechanical approach. If I may suggest to the Commission, we have had in mind, and this may well serve the purpose, of preparing a lease draft form which would, where there was consensus, have one statement of the terms and conditions for the particular section, and where there are differences of opinion, both of the three versions of language that propose to cover the subject supplemented by an explanation and recommendation as to which of the three versions it is recommended that the Commission adopt for that particular section of the lease form, so that after consideration and adoption on that basis, the net result is that the Commission's action would be an authorized lease form to be used in the next featured lease offer -- lease offered for bidding.

MR. KIRKWOOD: Yes.

CHAIRMAN PEIRCE: Any further questions from members
of the Commission? Assemblyman Miller, would you like
to ask Mr. Keplinger any questions?

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

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

Mr. Hanna, have you any questions that you
would like to ask at this time?
ASSEMBLYMAN HANNA: I have just one simple question. I probably expose my ignorance in this deal, but I am wondering about Paragraph VIII, where you have used "P" in the formula. Is there a definite distinction between the definition of "P" as used in the formula in Paragraph VIII and Paragraph XVII, I think it is, referring to the definition of an average production per well per day?

CHAIRMAN PEIRCE: Mr. Keplinger.

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

ASSEMBLYMAN HANNA: I thought it was. Thank you.

CHAIRMAN PEIRCE: All right. Thank you.

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

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

MR. HOME: Yes, I am.

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

MR. HOME: I would like to say only this, Mr. Peirce, and members of the Commission, that the industry committee have met on two occasions or members of the
Committee have met on two separate occasions with Dr. Keplinger and Mr. Wanenmacher or Mr. Keplinger, and we have had some discussions, but it is true that we have come out with some points of difference between the industry's recommendations and those of the staff consultants. However, the industry has had the final recommendations of the consultants for a very short time. We have not yet had an opportunity to consolidate any industry viewpoint with respect to certain of the differences of points of view, although in the majority I feel that we do have such a viewpoint.

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

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

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

MR. HORTIG: Mr. Chairman, in view of the necessity of timing with respect to preparing adequate presentations for the Commission, and the necessity for bringing the consultants from Tulsa, Oklahoma, at such times as there
can be a complete conference and eventually a meeting of the minus, may I suggest that it may serve the purposes, and I would like to put this in the form of a question to Mr. Miller, if I may, and Mr. Hanna, whether it would serve their purpose to consider scheduling a Commission meeting, as Mr. Home has suggested, where the staff review the final industry review and would be presented to the Commission for consideration, at which meeting the special Consultants for the Commission would also be present, and full consideration could be had in the sense that it would be suggested that such meeting be set to hear one agenda item only, and that to be this matter of the oil and gas leasing policy, and to be set in the very near future. Would this meet your purposes, Mr. Miller?

ASSEMBLYMAN MILLER: Yes, sir.

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

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

CHAIRMAN PIERCE: The last week of February?

MR. HORTIG: Yes, sir.

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

CHAIRMAN PIERCE: What is your comment in that regard, Mr. Kirkwood?

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

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

MR. KIRKWOOD: I was wondering this, again in an effort to get the different points of view available and in a position where they can be compared for us, whether it might be well to suggest to Mr. Hortig to conduct a meeting at which the industry's point of view would be presented, and, if possible, the questions that the Legislative committees might have would be posed, and draw the material together for submission to the kind of a report that we originally talked about of bringing the issues out at the next Commission meeting. I would hope that I would be able to sit in on such a meeting even if Frank were conducting it, rather than
have a full Commission meeting, but it does seem to me that if it is a full Commission meeting — I think this is going to take time, that is my problem, and to hold all three of us together these days is a little tough, just as I would suspect that Allen and Assemblyman Hanna would come in for part of the time, perhaps to raise their points, and we could get it screened. I would want to sit in as much as I could, but I am just wondering about the time problem, whether that might save some time, and then have all of that material available to us at our meeting and have further discussions at that time.

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

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

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

MR. KIRKWOOD: In any event, we are going to have
two meetings, one for this discussion and one at which we decide on the final form of lease and the acreages to be included, and it just seems to be that that first one might be conducted by Frank rather than be a formal Commission meeting.

CHAIRMAN PEIRCE: What do you think, Governor Powers?

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

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

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

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

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

MR. HORTIG: One technical difficulty that occurs
to me would be the resolution and consolidation as
a result of that informal session in such manner that
it could be presented to the Commission. If there would
be consecutive sessions there wouldn't be any opportunity
for that.

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

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

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

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

CHAIRMAN PEIRCE: Well, may I make this suggestion,
that Mr. Hortig and the Consultants and representatives
of the industry and the Legislative Subcommittee, and
members of the Commission, hold an informal meeting the
last week in February in Sacramento, the latter part of that week, and then a week later the Commission will hold a formal meeting, at which time, now, we will have, presumably, final answers from Mr. Hortig and a final analysis of this preparatory to our taking any formal action with respect thereto.

What is your reaction to that, Mr. Kirkwood?

MR. KIRKWOOD: That sounds all right.

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

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

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

LT. GOVERNOR POWERS: Fine.

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

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

ASSEMBLYMAN JANNA: That is okay for me.

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

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

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

(No audible response.)

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

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

MR. HORTIG: Calendar page 2, gentlemen.

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

After extensive review with all interested parties, and complete consultation on the legal phases
with the office of the Attorney General, the language has finally been developed which is satisfactory to all interested parties to accomplish the desired control without over-controlling and requiring permits for types of operations that were apparently never contemplated to be controlled or reviewed, and, therefore, it is recommended that the Commission adopt the proposed amended language for Section 2100(b) of the Rules and Regulations of the State Lands Commission, in the form of the resolution as stated in this calendar item for adoption by the Commission; that after proceedings had, in accordance with the provisions of the Administrative Procedures Act, and pursuant to the authority vested by Section 6108 of the Public Resources Code, the State Lands Commission hereby amends and adopts its regulations in Title II, California Administrative Code, as follows:

Amends Section 2100(b) to read:

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

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

Geological survey permits are required for the conduct of geological surveys on and
under submerged lands of this State where
geological samples are obtained through any
drilling operation. The "dart," "jet," and
other similar techniques, shall not be
regarded as methods of drilling operations
where geological samples are obtained within
the meaning of this subsection.

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

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

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

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

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

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

MR. HORTIG: Mr. Chairman, and gentlemen, noticing
the attendance today with respect to particular agenda
items, it is suggested that the Commission next consider
the item on page 32 of the agenda relating to proposed
expenditure of tideland oil funds by the City of Long Beach pursuant to Chapter 29 of the Statutes of 1956.

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

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

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

Therefore, it is recommended that the Commission determine not to approve the request of the City of Long Beach of January 15, 1958, as to proposed
expenditures from the City's share of tideland oil funds of such sums as may be necessary to hold a special election on March 4, 1958.

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

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

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

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

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

MR. KIRKWOOD: I move the adoption of the recommendation.

MR. GOVERNOR POWERS: I will second the motion.

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

The next item, Mr. Hortig?

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

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

This revised project has received initial staff review, is considered to include some subsidence costs as defined in Chapter 29, but not necessarily all of those costs as estimated by the City of Long Beach.
It is recommended that the Commission rescind the approval of the excess of approved costs over the actual costs to February 11, 1958, for reconstruction on the Pier B project previously authorized, and approve costs proposed to be expended by the City of Long Beach, including subsidence remedial work, as indicated on Exhibit "A" attached hereto, for the period February 11, 1958, to June 30, 1958, subject to the standard reservation conditions heretofore adopted by the Commission relative to final determination of allowability of subsidence costs dependent upon engineering review and final audit subsequent to the time when the work under any of these items is completed.

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

MR. LINGLE: Yes, we do concur with this recommendation.

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

MR. KIRKWOOD: Move the approval.

LT. GOVERNOR POWERS: Second it.

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

The next item.

MR. HORTIG: Page 35, gentlemen. Again the Commission has previously approved costs to be expended
in the '57-58 fiscal year, including subsidence remedial work for a project which has been classified as the Pier D area project. Subsequent to this approval and study, it developed that additional costs will have to be incurred because when construction work was actually undertaken it was found that there actually had been more prior damage due to subsidence than was contemplated would have to be repaired when the plans were developed.

MR. KIRKWOOD: Well, this is routine?

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

MR. KIRKWOOD: Recommend approval.

LT. GOVERNOR POWERS: Seconded.

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

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

LT. GOVERNOR POWERS: Seconded.

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

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

MR. KIRKWOOD: I move the approval.

LT. GOVERNOR POWERS: Second it.

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

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

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

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

MR. KIRKWOOD: Move the approval.

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

LT. GOVERNOR POWERS: Second it.

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

That concludes the Long Beach items?

MR. HORTIG: If I may check a moment.

MISS STAHL: You have one special item.

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

Page 31, gentlemen. Chapter 2000 of the Statutes of 1957 direct the Commission to proceed with the study of boundaries of the tide and submerged lands
in the Long Beach area, with particular reference to those tide and submerged lands previously granted by the Legislature to the City of Long Beach and granted in trust, and under this statute, the Commission shall report to the Legislature not later than February 15, 1958, its progress in carrying out the purposes of this Act.

As you gentlemen will recall, on September 13, 1957, authorization was granted for proceeding with the office of the Attorney General in determining the boundaries of the tide and submerged lands in conformance with the requirements of Chapter 2000, Statutes of 1957.

The Attorney General's office and the State Lands Division Staff have completed a detailed investigation of the origin and extent of public and private land titles along the Long Beach waterfront.

A summary report of the study results will be presented this morning by the office of the Attorney General, together with a request for Commission authorization to the office of the Attorney General to commence litigation in the name of the Commission, and to take other steps regarded as necessary to protect the State's interests.

Separate from the request that will be presented by the Attorney General's representatives this
morning, it is recommended that the Commission authorize the Executive Officer to report to the Legislature not later than February 15th the progress of the Commission in carrying out the purposes of Chapter 2000, Statutes of 1957.

CHAIRMAN FEIRCE: Mr. Shavelson, are you going to handle this for us?

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

The purpose of our report is to summarize the progress that we have made to date for the purpose of helping the State Lands Commission staff to prepare the report to the Legislature that is required under Chapter 2000, and, furthermore, to inform the Commission that we have reached our conclusions within the office as to what we think will be the proper course of action, and to get authorization from the Commission to commence litigation and to send notices and take any other steps proceeding to litigate title in those areas that we regard as ligatable, and also to inform the Commission
of the decision within the Attorney General's office to have our conclusions examined by independent counsel, who have not as yet been selected, to test the validity of our conclusions and to make sure that the course of action that we propose is the one that is in the best interest of the State.

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

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

CHAIRMAN PEIRCE: Mr. Shavelson, may I ask this question: Mr. Hortig has sent members of the Commission a suggested draft of the report to be submitted to the Legislature in compliance with this Statute, and he advises that you assisted in the drafting of this report
or you did draft it. Is it purely a factual report without any conclusions contained therein?

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

CHAIRMAN PEIRCE: But the opinions expressed therein are those of the Attorney General's office?

MR. SHAVELSON: Yes, sir.

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

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

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

MR. SHAVELSON: Pardon?

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

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

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

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

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

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

What is your recommendation, Mr. Hortig?

MR. HORTIG: The recommendation still stands, gentlemen; that the Executive Officer be authorized to submit the report, which is a composite reporting prior actions of the Commission in authorizing studies with respect to the question as directed by the Statutes,
and an outline of the factual situation as it has developed from the combined studies of the Attorney General's office and the State Lands Division and a statement of the proposed actions to which the Attorney General feels must be undertaken in furtherance of the study and in furtherance of the directive of the Legislature to determining these boundaries. The latter part was set forth in a draft of the report you had before you perspectively on the presumption that you gentlemen today, at the request of the Attorney General's office, would authorize the filing of those actions, in which event it would be reported as having been authorized. I mean, on the other hand, it can still be reported that this has been requested by the Attorney General that there be authorization for undertaking these actions, and under those circumstances, even up to this moment, everything that is in the proposed draft of the report is factual, is historically factual, as far as actions that have been undertaken by the staff on behalf of the State Lands Commission in carrying out the studies directed under Chapter 2000 of the Statutes of 1957. There are no conclusions as to what the ultimate outcome will or could be.

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

MR. KINKWOOD: Well, it seems to me, Mr. Chairman,
as I understand it, that these recommendations for filing certain actions are recommended because time is running out on us and each day of delay, granted that we are successful in the actions, would cause some loss to the State, so that it does seem to me that probably we should go ahead with the authorization that the Attorney General's office has suggested.

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

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

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

MR. SHAVELSON: Well, actually --

MR. KIRKWOOD: I mean, are you asking for a general authorization that would move us into different
litigation -- I mean, with different parties and covering different lands?

MR. SHAVELSON: That is the possibility.

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

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

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

MR. SHAVELSON: Yes.

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

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

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

MR. HORTIG: Yes, sir.

MR. KIRKWOOD: If that is the only way we can act on it, I would be interested in the view of the other members of the Commission.
CHAIRMAN PEIRCE: Governor Powers, do you have any suggestion?

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

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

MR. SHAVELSON: No, sir.

LT. GOVERNOR POWERS: That is the proper way.

CHAIRMAN PEIRCE: I also concur in that suggestion.

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

MR. HORTIG: Yes, sir.

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

MR. HORTIG: That a report be submitted.

LT. GOVERNOR POWERS: I approve.

MR. KIRKWOOD: Second it.

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

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

CHAIRMAN PEIRCE: That is understood.

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

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

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

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

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

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

(1) The commencement of litigation against the Union Pacific Railroad Company, Los Angeles and Salt Lake Railroad Company, Southern California Edison Company, and the City of Long Beach for the purpose of testing the validity and binding effect upon the State of the Judgment in case No. 340-RJ-Civil in the District Court of the United States in and for the Southern District of California.
Central Division; determining the legal status of lands involved in said case; and seeking certain additional relief in connection with said case and the lands involved therein.

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

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

CHAIRMAN PEIRCE: Your pleasure, gentlemen?

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

MR. HORTIG: That is correct.
MR. KIRKWOOD: I so move for approval.

LT. GOVERNOR POWERS: Second it.

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

The next item.


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

A report on the development activities of the Moss Landing Harbor District, submitted by the District, has been reviewed. In addition, the developments have been inspected in the field periodically by the State Lands Division, generally in connection with field reviews and surveys necessary for establishment of the boundaries of portions of the granted lands.
In summary, it has been found there have been developments within the Moss Landing Harbor District on lands granted under Chapter 1190, Statutes of 1947, to the point that it is recommended that the Commission find that the Moss Landing Harbor District has substantially improved the tide and submerged lands granted by Chapter 1190, Statutes of 1947, as required by that Act, and authorize the Executive Officer to transmit a report of this finding to the State Legislature, and to the Moss Landing Harbor District.

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

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

CHAIRMAN PEIRCE: Where is this Moss Landing?

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

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

CHAIRMAN PEIRCE: We are merely submitting this finding
to the Legislature and the Legislature has to take action thereon?

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

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

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

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

MR. HORTIG: That is the result, sir.

CHAIRMAN PEIRCE: Any questions?
MR. KIRKWOOD: I am just curious, Frank. Is this really the Salinas River or is it that slough that comes down there?

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

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

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

CHAIRMAN PEIRCE: Any further questions? Okay.

MR. KIRKWOOD: Recommend approval.

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

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

The next item.

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

Page 4, under Oil and Gas Lease Renewal and extension previously issued by the Commission for the maintenance of a single well in the tidelands at Huntington
Beach, a well has been abandoned after it was no longer mechanically practicable to operate the well, and the lessee has requested termination of the lease by mutual consent, and it is recommended that the Commission authorize the termination of oil and gas lease extension and renewal P.R.C. 990.1 by mutual consent effective this date.

MR. KIRKWOOD: So move.

LT. GOVERNOR POWERS: Second it.

CHAIRMAN PEIRCE: The recommendation is approved.

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

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

It is the opinion of the office of the Attorney
General that the lease may be so modified, and it is recommended that the Commission approve the further modification of the terms of oil and gas lease P.R.C. 427 as requested.

MR. KIRKWOOD: Recommend approval.

LT. GOVERNOR POWERS: Second it.

CHAIRMAN PEIRCE: The recommendation is approved.

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

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

A request has been received from the lessee for a one-year deferment of further drilling requirements in order to review and evaluate geological and engineering
information to determine the economic feasibility of a further development on the lease.

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

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

CHAIRMAN PEIRCE: Any questions?

MR. KIRKWOOD: Move it be so approved.

LT. GOVERNOR POWERS: Second it.

CHAIRMAN PEIRCE: The recommendation is approved.

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

It is recommended that the Commission authorize the issuance of a mineral extraction lease to Willard L. Johnson, the highest qualified bidder, in accordance with the provisions of the Public Resources Code and the
established schedules of the Commission, and the bid of Mr. Johnson for this chrome lease.

MR. KIRKWOOD: Move that it be approved.

LT. GOVERNOR POWERS: Second it.

CHAIRMAN PEIRCE: Moved and seconded. The recommendation is approved.

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

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

MR. KIRKWOOD: Recommend approval.

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

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Page 11.

MR. SMITH: Sale of vacant State school land.

It is recommended that the Commission authorize the sale of vacant State school land, for cash, at the
highest offer, in accordance with the following tabulation, such sales to be subject to all statutory reservations including minerals, and there follows a tabulation of five separate sales. There is no controversy on any one of these.

MR. KIRKWOOD: Recommend approval.

LT. GOVERNOR POWERS: Second it.

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

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

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

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

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

In order to provide a standard basis of procedure with the sale of these lands so that all prospective bidders could be equally informed, it is recommended that
the Commission authorize the revision of the resolution of August 8th to include a specification that the lands will be sold pursuant to competitive public bidding and in accordance with the provisions of Section 2302 of the established Rules and Regulations of the Commission which already cover the procedure for the sale of unoccupied lands not suitable for cultivation.

MR. KIRKWOOD: Recommend approval.

LT. GOVERNOR POWERS: Second it.

CHAIRMAN PEIRCE: The recommendation is approved.

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

MR. KIRKWOOD: Move the approval.

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

CHAIRMAN PEIRCE: The recommendation is approved.

MR. HORTIG: Pages 21 through 27, gentlemen, cover the results of a study of the various standard forms that the Commission has utilized in connection with the issuing of leases, easements, agreements, rights of way easements, et cetera, and it was found that: provisions for "signature
dates" contemplate signature by both parties at the same time, a condition which rarely, if ever, occurs.

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

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

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

MR. KIRKWOOD: Move the approval.

LT. GOVERNOR POWERS: Second it.

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

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

CHAIRMAN PEIRCE: The recommendation is approved.
MR. HORTIG: Page 28. Under Chapter 2012 of the Statutes of 1957, the Commission is authorized to sell land at the confluence of the Sacramento and San Joaquin Rivers known as Chain Island.

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

MR. KIRKWOOD: I move the approval.

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

CHAIRMAN PEIRCE: The recommendation is approved.

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

MISS STAHL: Page 43.

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

MR. KIRKWOOD: I move for its confirmation.
MR. HORTIG: -- in the issuance of routine rights of way, et cetera.

CHAIRMAN PEIRCE: The recommendation confirming your actions is approved.

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

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

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

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

In the first item we respectfully request that the State Lands Commission take under advisement the question as to the use of Long Beach tideland funds to finance installations, machinery and equipment in a
repressuring program designed to arrest subsidence in the Long Beach-Los Angeles area. We request that your staff explore the subject and also submit it to the State Attorney General for an opinion as to the legal limitations which may be involved, the procedures that would have to be followed, and whether it is essential that there be any legislation to clarify the authority, and, if so, what part of the State Code needs amendment.

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

The technical studies to date indicate that while in general secondary recoveries may come from this repressuring program and may prove profitable, it is entirely possible that some phases of it will not. There is also real difficulty in obtaining, you might say, cooperation from oil companies in doing this job as fast as it needs to be done because of the capital requirements involved.
In our memorandum we have suggested various things that we think should be analyzed. We think that there are possibilities, say, of installing the machinery and leasing it to the operators or to the units so that substantially a great deal of any moneys put up or invested in this probably can be recovered.

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

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

I think it is obvious, in view of the subsidence damage that has occurred and is occurring in the future, that there might be a very sound program of this type developed which any possible loss would be more than saved on the remedial damage in the future. We think this deserves thorough analysis, and the thing we are asking is that you authorize your staff to go into this and authorize
your staff to seek the assistance of the Attorney General's office of the many legal problems that might be involved.

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

Are there any questions, gentlemen?

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

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

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

MR. ROBERTS: Yes. In short, if, in the analysis of this, the Attorney General's staff should find that it is
desirable to clarify the statutes under which we handle
tideland funds, we would want to put that in at the time of
this special session that the Governor has called, and I
believe will come under the general title that he has
called the session out. So we do think that this requires
prompt action, without asking you to make a policy
determination. There are many problems in this that have
to be further analyzed.

CHAIRMAN PEIRCE: Any further questions?

MR. KIRKWOOD: Do we have the staff?

CHAIRMAN PEIRCE: Mr. Hortig?

MR. HORTIG: No questions, sir.

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

MR. HORTIG: No, sir.

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

MR. KIRKWOOD: Yes.

LT. GOVERNOR POWERS: Yes.

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

MR. ROBERTS: One other item of little lesser nature.

The City of Long Beach respectfully requests that the
State Lands Commission authorize an expenditure of up to
$40,000 between the present date and June 30, 1958, for the
purpose of financing the City administrative expenditures
in connection with the subsidence control program.
With this letter we have attached certain exhibits showing the functional organizational charts, and so on, that set forth what we are trying to do in creating a subsidence control administration, also a budget for this operation. I might point out that the actual budget which is attached shows an estimate of $30,925.00. This is somewhat less than the authorization limit requested of $40,000, the difference being an amount that we think should be available for contingencies which cannot be specifically estimated at the present time.

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

What we are creating, briefly, is what you might call a management team to work on this problem. Actually,
the team has been working on it but in a less formalized manner than we proposed. It involves a subsidence control administrator, an assistant administrator, an administrative aid, plus possible assignment of a full-time attorney from the City Attorney’s office to work on this program.

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

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

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

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

CHAIRMAN PEIRCE: You want action today?

MR. ROBERTS: If I may make a suggestion, we have been working under a great deal of pressure on this thing, and we would like to have had it in much earlier so that the proper staff review would take place and we would welcome such review if it would be possible to consider this. The one reason we came in with it today was that we realized that you don’t meet again in approximately a month, and actually we want to start in full
operation within about a week, and I might suggest, if you would be willing, to go along, say, to the tune of about $10,000 until your staff review is complete on the thing and have examined the program.

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

Is that correct, Mr. Hortig?

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

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

CHAIRMAN PEIRCE: Can we approve a prior expenditure?

MR. HORTIG: No, sir.

MR. KIRKWOOD: The City picks up the whole bill up to
the time of our approval?

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

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

MR. ROBERTS: Thanks.

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

MR. HORTIG: No, sir.

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

(The hearing was adjourned at 12:00 o'clock noon.)
IN THE MATTER OF THE MEETING } CERTIFICATE
OF THE STATE LANDS COMMISSION } OF
HELD AT LOS ANGELES, CALIFORNIA. } REPORTER

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

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

[Signature]

Reporter