TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

LOS ANGELES, CALIFORNIA
JULY 26, 1962

**

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Alan Cranston, Controller, Chairman

Hon. Glenn M. Anderson, Lieutenant Governor

Hon. Daniel M. Luevano, Deputy Director of Finance

Mr. F. J. Hortig, Executive Officer

Mr. Alan Sieroty, Executive Secretary to Lieutenant Governor Anderson

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay L. Shavelson, Deputy Attorney General

APPEARANCES:

Mr. Gordon D. Tandy, Pacific Gas and Electric Company, San Francisco

Mr. Francis E. Hopkins, City Manager, City of Redondo Beach

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GOV. ANDERSON: The meeting of the State Lands Commission will come to order, and the first item on the agenda will be the election of a new chairman for the Commission. As I think you know, two years ago we decided to rotate this every July, I believe it was. I have just completed my second term as chairman and I want to say I appreciate the honor and privilege of being chairman of this group, but this being the end of my second term in this capacity I at this time declare the office of the Chairman of the State Lands Commission vacant and will listen to suggestions as to who might be the new chairman.

MR. LUEVANO: Mr. Chairman, I wish to nominate Mr. Alan Cranston as Chairman of the State Lands Commission.

GOV. ANDERSON: I would like to second that nomination and, hearing no opposition, declare this motion approved unanimously. Mr. Chairman, you are in.

MR. CRANSTON: Thank you very much. We now come to confirmation of minutes of meetings of April 26th and of May 24th. Are there any amendments? (No response) If not, they will stand approved as submitted.

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

Applicant (a) Casiano Land and Livestock Co., Inc., and Dorothy W. Capezzoli -- five-year grazing lease, 960 acres Lassen County, annual rental $72; item (b) Diaz Brothers --

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One-year grazing lease, 2,240 acres, Lassen County, annual rental $112; item (c) .....

MR. HORTIG: Mr. Chairman, excuse the interruption, but this morning the staff received a request from the applicant under item (c) for further staff consideration of the proposed royalty rates to be applicable to the prospecting permit. Therefore, it is recommended that this item be deferred.

MR. CRANSTON: With that objection, this item will be deferred. Item (d) William H. McLendon and Verlin McLendon -- Approval of assignment of Lease P.R.C. 226.1 from H. F. McMurphy, and issuance of ten-year renewal of lease, 4.60 acres tide and submerged lands Napa River, Solano County, annual rental $607.89; item (e) Mobil Oil Company -- ten-year renewal of Lease P.R.C. 373.1, 0.104 acre tide and submerged lands Sacramento River, Yolo County, annual rental $150; item (f) Pacific Gas and Electric Company -- four tower-line right-of-way easements: (1) 0.99 acre submerged lands of Ravenswood Slough, annual rental $45.87; (2) 1.38 acre submerged lands of Steinberger Slough, annual rental $264.93; (3) 2.07 acres tide and submerged lands of Belmont Slough, annual rental $397.40; (4) 2.30 acres tide and submerged lands of Redwood Creek, annual rental $106.58.

GOV. ANDERSON: May I ask a question on these? Mr. Hortig, when do they start to plan construction on these towers?

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MR. HORTIG: Various times, Governor Anderson. These are in connection with the distribution system from the Ravenswood substation, which will be fed, at least in part, from the across-bay transmission line immediately south of the Dumbarton Bridge and which will be the subject of a supplemental item to be presented to the Commission this morning. Actually, each of these crossings is already existent -- the new easement will permit, in fact, not the establishment of a new transmission line at a new location, but a third line paralleling the two existing lines.

GOV. ANDERSON: Would the construction of these start, say, within the next year or two?

MR. HORTIG: The representative of the Pacific Gas and Electric Company is here this morning in the audience, Mr. Anderson, and probably could give us specific data on this right now. Mr. Gordon Tandy.

GOV. ANDERSON: Mr. Gordon Tandy. Did you hear my inquiry as to when the construction will start on these?

MR. TANDY: Yes, sir -- immediately.

GOV. ANDERSON: Immediately; in other words by that you mean within the next year or two?

MR. TANDY: Yes, sir.

GOV. ANDERSON: Well, then - - my only concern, Frank, is that I find more and more concern throughout the State over some of this planning for the future and for some controls over things that might affect the esthetics and things

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in certain areas; that there seems to be a concern developing. My fear was that maybe there were rights-of-way being applied for, for five or ten years in the future, with the thought in mind that things were going to be tougher five or ten years from now, so "let's get them now."

My feeling would be that at any time you have an application, if it is not for immediate construction, that we look into it because it might be tougher later. I am thinking of anything that might be interfering with planning.....

MR. HORTIG: We certainly can report in connection with easement applications, Governor Anderson. There is, of course the element of long range planning necessary for particularly large utility distribution systems, where at times for a total program to be ultimately developed and expanded to capacity it is necessary to acquire rights-of-way in advance, in order to know you are going to be able to get into an area with the expansion of the system at the time you are ready to go in there.

In this particular instance, even though there might be a delayed program of one, two, three, four years hence, specifically every one of these easements has been reviewed for use planning with the San Mateo Planning Commission, with the U. S. Army Corps of Engineers, and now with the State Lands Commission, in order to assure their integration in the planning and that it is not simply a speculative situation such as you suggested might be injected some time on other

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easement applications. We will certainly call this to the attention of the Commission if we ever think such is the case in connection with easement applications.

MR. CRANSTON: Item (g) - - Thank you very much - - Pauley Petroleum, Inc. -- Assignment to Humble Oil and Refining Company of interest in Oil and Gas Lease P.R.C. 2207.1, Santa Barbara County; item (h) Signal Oil and Gas Company -- six-month permit from 8/1/62 through 1/31/63 .....

MR. HORTIG: Mr. Chairman, in connection with item (h) and the application of Signal Oil and Gas Company, in view of the receipt of protests from the County of Humboldt and Senator Christensen of Senatorial District Number 2, Signal Oil and Gas Company has submitted an amendment to the area proposed to be covered by their exploration permit to exclude Del Norte and Humboldt counties.

Therefore, the staff recommendation is amended to cover all area applied for with the exception of Del Norte and Humboldt counties. Senator Christensen and the county officials of the County of Humboldt have been informed that this would be the revised recommendation of the staff.

MR. CRANSTON: The matter will be before us as amended. Item (h) Signal Oil and Gas Company -- Six-month permit from 8/1/62 through 1/31/63 for geophysical exploration operations on tide and submerged lands lying between the northern boundary and southern boundary of State of California, excluding San Francisco Bay and other inland waters draining

therein; item (i), Lindsey H. Spight, d.b.a. Diablo Communications Center -- Approval of sublease to Readymix Concrete Co., Ltd., d.b.a. Readymix Trucking, under Lease P.R.C. 2364.2, Contra Costa County, for portion of site for installation, maintenance and operation of a mobile repeater transmitter and receiver; item (j) Southern California Gas Company and Southern Counties Gas Company of California -- rescission of Commission action of 5/25/61 authorizing Easement P.R.C. 2740.2, and issuance of new 49-year easement in lieu thereof, 6.494 acres vacant State school land, San Bernardino County, annual rental $602.70, for gas pipe lines.

That concludes Item Classification 3 and before us for action are all actions excluding (c), which has gone over to the next meeting; and (h) as amended.

GOV. ANDERSON: I so move.

MR. LUEVANO: Second.

MR. CRANSTON: Approval is moved, seconded, and made unanimously.

Item Classification 4 -- Land Items: Sales, selections, et cetera. All land sale items here presented have been reviewed by all State agencies having a land acquisition program and, unless otherwise indicated, no interest has been reported by those agencies in any of the lands proposed for sale.

Item (a): Sale of vacant State school land -- Applicant Viola Dorothy Russ McBride, appraised value

$239,551.26, bid $247,345; (b) -- Selection of vacant Federal lands on behalf of the State. Applicants do not desire to proceed with acquisition of the lands. (1) 162.40 acres in Kern County, pursuant to application of Byron Elmo Taylor.

That concludes Item Classification 4.

GOV. ANDERSON: I will move it.

MR. LUEVANO: Second.

MR. CRANSTON: Approval is moved, seconded, made unanimously.

Item 5 -- Authorization for Executive Officer to inform City Council of City of Redondo Beach that the Commission interposes no objection to adoption of City of Redondo Beach Ordinance No. 1766 to permit amendment of existent lease with Signal Oil and Gas Company and Reserve Oil and Gas Company to provide for basic eighteen percent royalty or fifty percent of net profits, whichever is greater, and for elimination of minimum annual rental.

MR. HORTIG: Mr. Chairman, Governor Anderson, and Mr. Luevano, by statutes of 1959 the Legislature prescribed certain approval requirements and supervisory responsibilities of the State Lands Commission to relate to the development of oil and gas leases on granted tide and submerged lands. In 1955, the City of Redondo Beach entered into a development lease for the development of production of oil and gas from tide and submerged lands which had been previously granted by the State of California to the City of Redondo Beach under

the trust conditions for harbors, commerce and navigation.

While the 1959 enactment of the statutes followed the lease by the City of Redondo Beach by four years, in view of the fact that the lands on which this lease was issued were granted in trust and the trust conditions are still under the control of the Legislature, there is a question as to whether the requirement for approval of an amendment to a lease of this date is actually required by the State Lands Commission. On the other hand, there may be because of the retention of complete control over these granted tidelands by the Legislature of California, as was set forth in the case of Mallon versus City of Long Beach, on which the Attorney General's representative can report to you further, if this is desired.

Under the circumstances, and the staff having reviewed the proposed bases for amendment and found them to be equitable and proper -- and these are also predicated on recommendation of an independent consulting firm that was retained by the City of Redondo Beach to evaluate the proposed amendment -- it was felt that the most certain procedure, in view of the acceptability of the proposed amendment, was to request the Lands Commission to state and report to the City nonobjection to the adoption by the City of Redondo Beach, to whatever extent the statutes may apply.

GOV. ANDERSON: If the statute would not apply, there would still be a question of whether we had jurisdiction

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or not?

MR. HORTIG: Not only that -- whether or not the City of Redondo Beach had a valid amendment and a necessary amendment to the lease.

GOV. ANDERSON: A question both ways?

MR. HORTIG: Right -- all of which questions are eliminated by an affirmative action.

GOV. ANDERSON: I see we have the City Manager of the City of Redondo Beach, Mr. Hopkins, with us. Perhaps he would like to say something, or at least be identified.

MR. HOPKINS: Thank you. Mr. Chairman, gentlemen, I think Mr. Hortig has explained it very satisfactorily. It was just a case where oil production from this area of tidelands wasn't as great as originally anticipated, and out of economic necessity it was necessary to draw a new agreement or amend the lease to provide for an equitable share to the City and to the operator; and this was done. We had it reviewed by recognized consultants and received good advice in doing so, and we think it to be fair to everyone that it should come before the Commission so there will not be any questions left unanswered. Thank you.

MR. HORTIG: Governor Anderson, might I suggest that with Deputy Shavelson here and with his file open to the point of the specific ambiguity that brings this situation before the Commission, a report on that matter might be of interest and of essential information to the Commission.

MR. SHAVELSON: It is on rather a small point of statutory interpretation, in that the statutes enacted in 1959 thoroughly applied both to original leases and to amendments, but the section that refers to amendments is the new Section 7060, subsection (b) of the Public Resources Code, which says that "no city shall consent to the modification or amendment of any 'such' lease...." (There is the word "such" there) "... without the advance consent of the State Lands Commission to such modification or amendment."

Now, in referring back to "such lease" the description is of leases entered into after the effective date of the statute. This particular lease was entered into prior to the effective date of the statute.

I think you could argue it either way: That the literal language of the statute would seem to state that Commission approval is only required as to amendment of leases executed after 1959; but the intention of the statute, you could also argue, would be better carried out if it had all of the prospective applications, which would include amendments of any lease no matter when it was executed.

So that is the point involved, and it is our opinion that certainly, since there is no dispute between us and the City as to the desirability of this, they are certainly entitled to Lands Commission approval just to clear up any possible doubt -- although we are not altogether certain it is required.

GOV. ANDERSON: I move approval.

MR. LUEVANO: Second.

MR. CRANSTON: Approval is moved, seconded and made unanimously.

ITEM 6 -- Determination that land of Reclamation District No. 1004, Colusa County, should be exempt from competitive public bidding procedure for a proposed oil and gas lease, and authority for Executive Officer to so inform the District.

Frank, do you want to explain that?

MR. HORTIG: Yes, Mr. Chairman. Under the sections of the Public Resources Code which authorize counties and special districts to lease their lands for oil and gas, all such public agencies and quasi-public agencies are required by statute to issue leases only pursuant to competitive public bidding, with one possible exception -- where they have parcels of land of such small size, peculiar conditions or with other surface problems that no useful purpose is served (and, indeed, it could be detrimental to require competitive public bidding because no bids in all probability would be received because of the peculiar restrictions applicable to the particular parcel of land.)

The saving clause in this requirement is that under such circumstances the agency involved may apply to the State Lands Commission for a review and determination of whether the parcel should be approved for lease disposition, exempt from the requirements of public bidding.

An application was made by Reclamation District No. 1004, Colusa County -- and the parcel containing approximately eleven acres in a gas area where the minimum acreage to support one gas well is approximately 160 acres, and also due to the configuration of the parcel and its general location with respect to the probability of production, it is recommended that the Commission grant the Reclamation District the exemption from the competitive public bidding procedure in the leasing of this parcel.

MR. CRANSTON: Any questions?

GOV. ANDERSON: I'll move it.

MR. LUEVANO: Second.

MR. CRANSTON: Approval is moved, seconded; approved unanimously.

Item 7 -- Authorization for Executive Officer to approve and have recorded Sheet 1 of 1 of map entitled "Boundary of State Submerged Lands, Vicinity of Elliot Cove, Solano County, California," dated 5 April 1962; and to execute agreement with upland owners fixing common boundary line along Carquinez Strait between State submerged lands and certain private lands.

MR. HORTIG: The Commission will recall, Mr. Chairman, in the last two preceding meetings of having approved similar agreements for adjoining parcels of land along the shore of Carquinez Strait. This is part of the continuing program on thepart of the upland landowners and the Lands

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Division to secure a complete, accurate, definitive, and authoritative delineation of boundaries between State lands and privately owned lands.

MR. LUEVANO: I'll move it.

GOV. ANDERSON: Second.

MR. CRANSTON: Moved and seconded, approved unanimously.

Item 8 .....

MR. HORTIG: Mr. Chairman, this item was considered by the Commission at a meeting a week ago today and should be stricken from the agenda.

MR. CRANSTON: Item 9 -- Confirmation of transactions consummated by the Executive Officer pursuant to authority confirmed by the Commission at its meeting on October 5, 1959.

MR. HORTIG: These actions, Mr. Chairman, constituted the granting of extension of time for geophysical and geological surveys under permits previously authorized by the State Lands Commission; and it is recommended that the Commission confirm those actions, taken by the Executive Officer under the delegation of authority.

GOV. ANDERSON: Move approval.

MR. LUEVANO: Second.

MR. CRANSTON: Approval is confirmed unanimously.

Item 10 -- Informative only, no Commission action required. Report on status of major litigation.

MR. HORTIG: Mr. Chairman, there has been no

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modification as to the substance and the timing, but the report is included here for the Commission, so the Commission may know the current status; and continuing to be of primary interest to the Commission, of course, is the fact that initial proceedings on certain phases of the case U. S. versus Anchor Oil Corporation, the Long Beach subsidence litigation filed by the United States Government naming numerous defendants including the State of California and the City of Long Beach, are now scheduled for the first week in October in the Federal Court.

MR. CRANSTON: No action required on that. Do we have supplemental items?

MR. HORTIG: Yes, sir.

MR. CRANSTON: Supplemental Item 24 -- Application for easement lease for a tower line crossing of San Francisco Bay parallel to Dumbarton Bridge, San Mateo County; Pacific Gas and Electric Company -- W.O. 3994, P.R.C. 2909.1. Frank?

MR. HORTIG: Mr. Chairman, at the last meeting of the Lands Commission, the application for an easement lease for twin power lines on San Francisco Bay parallel to Dumbarton Bridge was considered by the Commission. No action was taken but a directive was given to staff and to Mr. Sieroty, on behalf of Lieutenant Governor Anderson in connection with the interests of the Toll Bridge Crossing Authority interests in connection with the location of this proposed line, that a conference be held with all agencies interested and, in

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particular, the consulting architect to the Toll Bridge Authority, as well as the chief engineer of the Toll Bridge Authority. This conference was held, at which time an alternative program was developed to provide for issuance of an easement for a single crossing line at this time, to be located northerly of Dumbarton Bridge, if an area for this could be selected that was satisfactory to the Toll Bridge Authority.

Such an area was selected satisfactory to the Toll Bridge Authority and on that basis, then, again under delegation of authority, I issued the easement on July 20, 1962 for the purpose of just one line, and it is now recommended that the Commission confirm this action.

MR. LUEVANO: I'll move.

MR. SIEROTY: I think it should be pointed out for the record that we held a conference at which representatives of the Pacific Gas and Electric Company, State Lands Division, and representatives of all the Commissioners were present, and the architect, and Mr. Raab of the Toll Bridge Authority; and we discussed this at some length and the over-all problems, and I think the representatives of the Commissioners were satisfied as to the outcome.

GOV. ANDERSON: I'll second it.

MR. CRANSTON: Approval of the action already taken is moved, seconded and made unanimously.

We come to Supplemental Calendar Item 25 -- Consideration of Oil and Gas Lease offer, Section 6871.3 of the Public

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Resources Code -- W.O. 4290.

MR. HORTIG: Mr. Chairman, in the short form -- After having published notice of intention required by statute and as directed by the Commission precedent to considering offering oil and gas leases on tide and submerged lands in Orange County, requisite notices were published, distributed to all interested parties -- which provided that within thirty days from and after March 22, 1962 any affected city or county may request in writing to the State Lands Commission that a hearing be held with respect to the offering of leases.

The only response received by the Commission pursuant to this notice was a copy of a Minute Entry from the Board of Supervisors of Orange County that the notice had been received and filed.

The City of Huntington Beach has now, at this late date, reported that -- and I quote from the City's letter: "The City has not heretofore requested that any public hearing be held in this connection. However, it is now the opinion that it is advisable that a public hearing be held before such lands are offered so that the people of Huntington Beach and the surrounding areas may be better informed as to what may be physically involved on a long range basis. It is recognizable that this request may be somewhat tardy and we respectfully request that you consider it and let us know of your decision."

In view of this request by the City of Huntington Beach, it is recommended that the Commission authorize the

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Executive Officer to conduct a public review at Huntington Beach, Orange County, of proposed oil and gas lease terms and conditions, the record of this review to be reported to the Commission prior to the determination by the Commission as to the specific lease form to be utilized in any oil and gas offer, pursuant to the Public Resources Code, in Orange County on tide and submerged lands lying between the northerly city limits of the City of Newport Beach and the easterly boundary of the City of Long Beach.

Parenthetically, these limits are the limits originally authorized for consideration by the Commission.

GOV. ANDERSON: I'll move it.

MR. LUEVANO: Second.

MR. CRANSTON: Approval is moved, seconded, made unanimously.

Final supplemental Calender Item 26 -- Informative: Status of proposal and recommendations for a land management and sales program for all public lands other than sovereign -- W. O. 3590.

MR. HORTIG: Mr. Chairman, the Commissioners will recall the public session on consideration of a land management and sales program which was held June 27, 1962 at Sacramento. Approximately twenty days prior to the holding of that session, each California legislator received a copy of the staff report and copies of prior agenda items considered by the Commission which were to be reviewed at that public

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review; and, as the Commissioners will recall, there was no attendance or presentation at the review on June 27th by any legislator.

However, on June 28th, the following day, and the last day of the special session which ran also the preceding date concurrently with this review period by the Commission, Senate Resolution 22 was adopted -- resolving that no action be taken by the State Lands Commission to adopt or otherwise effectuate the recommendation until the proposed program has been reviewed by a Senate committee and a report has been filed thereon with the State Lands Commission.

This Senate Resolution 22 has been referred by Senate rules to the Senate Judiciary Committee, of which Senator Edwin Regan is chairman. Upon inquiry to Senator Regan, I was informed that the review requested by the resolution has not yet been scheduled.

It would be the policy or the program of the staff, unless otherwise directed by the Commission, to seek an early Senate committee review in order to minimize the delay time in effectuating the Commission's adoption of a land management program.

MR. CRANSTON: You received no clues as to when they might reasonably be expected to meet?

MR. HORTIG: No, sir. I have a tentative meeting with Senator Regan to discuss that point.

MR. CRANSTON: (First portion of remark inaudible)

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What is agreeable to all you people?

MR. [illegible]: We have a meeting date determination to change, Mr. Chairman. It is the same date and different place. If I might explain, Mr. Chairman - - Prior scheduling had suggested or established a date, time and place of the next Commission meeting as Thursday, August 23, 1962, at 10 a.m. in Sacramento. Two Commissioners -- two other than you, Governor Anderson -- have now reported a preference and indeed a need for a rescheduling in order to permit attendance -- preferably for the same day, Thursday, August 23, 1962, but at Los Angeles and for 3 p.m.

GOV. ANDERSON: Well, I can't say. I had assumed it was all right when I saw the agenda here, and I did not bring my calendar with me. I think the best thing to do is to adopt whichever one you want -- if you want it at three o'clock in Los Angeles, although I do not know why you don't like Sacramento -- and if I don't, I will so inform you.

MR. CRANSTON: We will consider that a motion that we will meet here at 3 p.m. August 23rd, subject to confirmation.

MR. LUEVANO: Second.

MR. CRANSTON: Moved, seconded, passed unanimously. Is there any further business?

GOV. ANDERSON: I'd like to make a little report before we adjourn, and probably should have made this report while I was still chairman.

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Some three or four weeks, maybe about two months ago, a politican (whose name escapes me) reported that we weren't doing so good in the State Lands Commission and so I asked Mr. Hortig to give me a breakdown of what our revenues had been in the past year as compared with our optimum budget what we had hoped to raise; and so he has given me this, which is for the year 1961-62, ending June 30th.

I thought you might like to know we had hoped to reach an estimated goal in oil and gas lease royalties of ten million dollars and we actually brought in eleven and a quarter million, in excess of a million and a quarter.

In oil and gas lease bonuses, we hoped to have $6,300,000; we got $6,655,000, again over our optimum goal.

In royalties other than oil and gas, we almost reached our minimum goal with $68,268; in our miscellaneous rentals and charges, we hoped to reach $204,000 -- we took in $290,297, almost 90,000 over our goal.

So for this one-year period, our estimated budget amount was $16,574,000; we actually took in $18,280,847, or a plus of $1,706,000; and, actually, I wouldn't have asked you for this, Frank, if this man hadn't raised the point. I didn't realize we had done so much better than we expected; but in view of this, I think we ought to let the press know that in the past year we overshot our goal by almost two million dollars . I wanted to make that report. Thank you.

MR. CRANSTON: Thank you very much, Glenn.

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Is there anything more to come before the Lands Commission? (No response) If not, we stand adjourned, presumably to meet in Los Angeles at the time indicated.

ADJOURNED 10:47 a.m.

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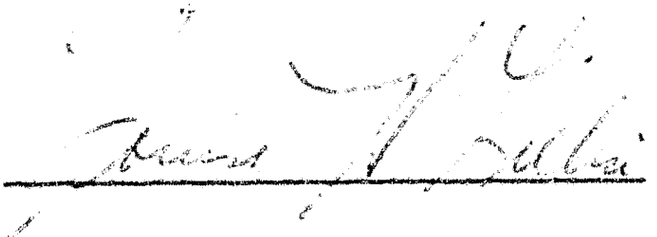
CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing twenty-one pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held in Los Angeles, California, on July 26, 1962.

Dated: Los Angeles, California, July 26, 1962.



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