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TRANSCRIPT OF
MEETING
of

STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA
April 25, 1963

PARTICIPANTS:

THE COMMISSION:

Hon. Alan Cranston, Controller, Chairman
Hon. Glenn M. Anderson, Lieutenant Governor
Hon. Hale Champion, 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

APPEARANCE:

Mr. W. M. Carlile, Jr.
Deputy City Manager
City of Stockton

I N D E X

(In accordance with calendar summary)

3	<u>ITEM CLASSIFICATION</u>	<u>ITEM ON</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>CALENDAR</u>	<u>PAGE OF</u> <u>TRANSCRIPT</u>
4	1 Call to order			
5	2 PERMITS, EASEMENTS, RIGHTS- OF-WAY, NO FEE:			
6	(a) City of Palo Alto	5	1	1
7	(b) Sacramento Municipal Utility District	12	2	1
9	(c) Dept. of Public Works County of Sacramento	6	3	1
10	3 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:			
11				
12	(a) City of Stockton	8	4	1
13	(b) Pacific Gas & Electric	1	5	5
14	(c) " " "	2	6	5
15	(d) " " "	14	7	5
16	(e) Phillips Petroleum Co.	7	8	6
17	4 CITY OF LONG BEACH			
18	(a) Approval "Agreement Amend- ing Certain Contracts for the Sale of Natural Gas" City of Long Beach and Harbor Comm., Socony-Mobil Oil Co., Signal Oil & Gas; Long Beach Dock and Terminal Co.	10	10	6
19				
20				
21				
22	(b) (1) Approval of second (ditto) City and Harbor Comm., Lomita Gasoline Co., Signal Oil, Long Beach Dock & Term.	11	12	8
23				
24	(2) Approval of first agreement (PHARR G-1 Well, Board of Harb. Comm., Lomita Gasoline and Signal Oil & Gas			
25				
26				

= continued

I N D E X

(In accordance with calendar summary)

3	<u>ITEM CLASSIFICATION</u>	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
4	5 Authorization to enter agreement with Beachlake Corp, re OHWM along Gulf of Santa Catalina	4	14	17
6	6 Authorization to execute agreement conveying limited leasehold interest to U.S. 15 ac. tidelands Santa Barbara County	9	18	18
10	7 Acceptance bid on Parcel 12, Santa Barbara County	13	19	19
11	8 Confirmation of transactions of Executive Officer:	3		20
12			22	
13			24	
14			24	
15			22	
16			21	
17			21	
18			23	
19			21	
20			25	
17	9 INFORMATIVE: Litigation	15	26	21
18	10 Next Meeting			30
19	<u>SUPPLEMENTAL CALENDAR</u>			
20	INFORMATIVE: Legislation	16	29	22
21	Long Beach Unit Wilmington Oil Field	17	36	9
22	<u>UNCALENDARED:</u>			
23	Discussion of Senate Bill 339			23
24	Discussion of Senate Bill 298			30

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

	<u>ITEM ON CALENDAR</u>	<u>PAGE OF CALENDAR</u>	<u>PAGE OF TRANSCRIPT</u>
1	1	5	5
2	2	6	5
3	3	21	20
4	4	14	17
5	5	1	1
6	6	3	1
7	7	8	6
8	8	4	1
9	9	18	18
10	10	10	6
11	11	12	8
12	12	2	1
13	13	19	19
14	14	7	5
15	15	26	21
16	<u>SUPPLEMENTAL</u>		
17	16	29	22
18	17	36	9
19	<u>NOT CALENDARED</u>		
20	Discussion S.B. 339		23
21	" " 298		30
22	NEXT MEETING		30
23			
24			
25			
26			

1 MR. CRANSTON: Let the meeting please come to
2 order. First item, Classification 2 -- Permits, easements,
3 and rights-of-way to be granted to public and other agencies
4 at no fee, pursuant to statute:

5 Applicant (a) City of Palo Alto -- 49-year life-of-
6 structure permit, 3.99 acres tide and submerged lands of San
7 Francisco Bay, San Mateo County, for construction and mainten-
8 ance of channel markers;

9 Item (b) Sacramento Municipal Utility District --
10 Life-of-structure permit, 0.092 acre sovereign lands of
11 American River at City of Sacramento, for 12 KV power line to
12 provide better service for Greater Sacramento;

13 Item (c) Department of Public Works, County of
14 Sacramento -- Permit to extract approximately 1500 cubic
15 yards of material from bed of the Sacramento River, Sacramento
16 County, to create navigable waterway.

17 MR. CHAMPION: Move.

18 GOV. ANDERSON: Second.

19 MR. CRANSTON: Moved, seconded, and so ordered
20 unanimously.

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

24 (a) City of Stockton -- Sublease to Jack Benton,
25 covering tide and submerged lands of Buckley Cove, San Joaquin
26 County, currently leased to City of Stockton under Lease P.R.C.

1 1976,1, for boat harbor and appurtenant facilities.

2 MR. HORTIG: Mr. Chairman, Deputy City Manager
3 Carlile of the City of Stockton, and the Director of Parks
4 and Recreation, City of Stockton, are here if there are any
5 questions with respect to this item.

6 MR. SIEROTY: Mr. Chairman I raise the question - -
7 I think the City Manager can adequately give us the answer --
8 but in this case the State Lands Commission issued the lease
9 to a governmental body at its minimum rental and here the
10 City is executing a sublease to a private individual; and,
11 whereas, had we executed the lease to a private individual
12 there would have been a different rental, I thought we ought
13 to look into this a little bit.

14 I understand the development here is completely in
15 the interest of the City and certainly may be satisfactory,
16 but as long as the City Manager is here, maybe he can explain
17 the development.

18 MR. CARLILE: Mr. Chairman, I will be glad to. My
19 name is W. M. Carlile, Jr. I am Deputy City Manager of the
20 City of Stockton. We originally owned Buckley Island itself
21 and, of course, the State had title to the submerged lands
22 surrounding Buckley Island. Back in 1957-'58, we attempted
23 to have a development there through the State Beaches and
24 Parks. At that time, because of the small acreage, the State
25 Beaches and Parks eliminated Buckley Island from consideration.

26 During the course of the next couple years, 1958

1 through 1959, we attempted to get a developer there on the
2 Island, to provide the facilities that we felt were necessary
3 to substantiate our one thousand miles of waterway in the
4 vicinity of the City of Stockton. We were finally able to
5 obtain one bidder; that was Mr. Benton.

6 Since that time, in the last three years, he has
7 been able to provide one hundred sixty-three boat berths and
8 we do have a master plan for the Island, which I would like to
9 show at this time. If you would permit me, I want to show
10 the full development.

11 (Plan displayed on wall)

12 Mr. Benton's development will be on the two sides
13 of the cove. We plan, then, to have a central development
14 for the public within this area right here (indicating
15 throughout on plan) This is Brookside Road, entering into
16 the park area. We will have a park in this area, along with
17 an airplane model contest facility -- which you gentlemen
18 probably understand is very difficult to have; you must have
19 it out in an area which will not bother people. We also have
20 reserved the right for public fishing all along the Stockton
21 Deep Water Channel.

22 Now, originally in the lease with Mr. Benton we
23 set forth a thirty-five year period. At that time he was to
24 plow back all of his funds into the development to provide
25 these restaurant facilities, boat berthing, dock, development
26 of parkways, and so forth. At the end of the thirty-five

1 years, we have another section of the lease which will take
 2 into account his profit that he will be making during this
 3 interim development period. At that time, then, the profits
 4 coming from Mr. Benton's commercial development will be con-
 5 sidered in the rest of the development of the Island,

6 At the present time, Mr. Benton's profit is very
 7 small. In our last analysis of his books, it represented
 8 four per cent of his present investment.

9 GOV. ANDERSON: What is the amount of the lease?
 10 What do we get on the property?

11 MR. HORTIG: One hundred dollars a year.

12 GOV. ANDERSON: And what is Stockton's sublease to
 13 Mr. Benton? How much is that a year?

14 MR. CARLILE: There is no monetary return to the
 15 City of Stockton for the first thirty-five years. He is
 16 plowing back his profits in the development of the Island.

17 MR. HORTIG: I think possibly we should also add
 18 the fact, Governor Anderson, that these facilities which will
 19 have been constructed by the sublessee will ultimately become
 20 the property of the City of Stockton, at no cost to the City
 21 of Stockton.

22 MR. CARLILE: That's right.

23 MR. HORTIG: So what results from this development
 24 is a fully developed small craft harbor and recreation facil-
 25 ity, at no direct cost to the City of Stockton.

26 MR. SIEROTY: Is there a limitation or control on

1 the profit of your sublessee there? You say you audit his
2 books every year?

3 MR. CARLILE: That's right. At the time of the
4 completion of the thirty-five year period, the profits will
5 be taken into consideration.

6 I might point out the State lease is for fifteen
7 years, with two ten-year options. There is eleven years to
8 run on the original primary lease with the State; so at the
9 end of the eleven-year period, the profits then can be ana-
10 lyzed and determination made for the rent to be paid.

11 MR. CRANSTON: Do you have any further questions?

12 GOV. ANDERSON: I don't think so.

13 MR. CRANSTON: Alan?

14 MR. SIEROTY: No.

15 MR. CRANSTON: Thank you very much.

16 Item (b) Pacific Gas and Electric Company -- 15-year
17 easement, 1.079 acres tide and submerged lands of Sacramento
18 River, Shasta County, for wire crossing -- annual rental
19 \$57.14;

20 Item (c) Pacific Gas and Electric Company -- 15-
21 year easement, 1.148 acres tide and submerged lands of
22 Russian River, Sonoma County, for overhead wire crossing --
23 annual rental \$38;

24 Item (d) Pacific Gas and Electric Company -- 10-
25 year renewal of Easement P.R.C. 353.1, 0.482 acres of Tuolumne
26 River, Stanislaus County, for gas-line crossing, total rental
\$242.90;

1 Item (e) Phillips Petroleum Company -- Deferment of
2 drilling requirements under Oil and Gas Lease P.R.C. 2207.1,
3 Santa Barbara County, through December 21, 1963, to permit
4 analysis and interpretation of data from wells drilled, and
5 to allow lessees to obtain needed reservoir performance data
6 from a producible gas sand underlying the lease.

7 GOV. ANDERSON: I'll move it.

8 MR. CHAMPION: Second.

9 MR. CRANSTON: Approval moved, seconded, made
10 unanimately.

11 Item 4 -- City of Long Beach -- Item (a) Authoriza-
12 tion for Executive Officer to certify approval of the "Agree-
13 ment Amending Certain Contracts for the Sale of Natural Gas,"
14 between the City of Long Beach and its Board of Harbor Com-
15 missioners, as First Parties; Socony-Mobil Oil Company, Inc.,
16 as Second Party; Signal Oil and Gas Company, as Third Party;
17 and Long Beach Dock and Terminal Company, as Fourth Party.

18 Any comments on that?

19 MR. HORTIG: Yes, Mr. Chairman. This is somewhat
20 unique in terms of representing contracts that the City of
21 Long Beach as such has not submitted for approval, inasmuch
22 as it is contended by the City of Long Beach that these lands
23 are owned by the City of Long Beach. However, the State has
24 a claim to these lands and Deputy Shavelson is the attorney
25 who is pursuing with the litigation with respect to that
26 claim; and I wish he would comment on the reason for this

1 recommendation for approval.

2 MR. SHAVELSON: The lands involved in both item (a)
3 and item (b) under "4" are lands which the City of Long Beach
4 alleges that it owns in its municipal capacity, free of the
5 Tidelands Trust. The State, in the case of the People versus
6 Long Beach, takes the position that large portions of the
7 lands covered are, in fact, tidelands; and that other por-
8 tions are, regardless of their natural status, because of the
9 way in which the City acquired them -- that is, in settlement
10 of certain tideland litigation between 1938 and 1941 -- that
11 the lands are held subject to the Tidelands Trust.

12 Our problem is that if these lands are, in fact,
13 tidelands or held subject to the trust, then under Chapter
14 29 the approval of the Commission is required for these con-
15 tracts. If they are not tide or submerged lands, or not held
16 subject to the trust, then Commission approval is not re-
17 quired; but we think that under these circumstances the Com-
18 mission should examine these contracts as if it were settled
19 that the lands were tidelands; and if they turn out to be,
20 then the contracts are validated. If they turn out not to be
21 tidelands, then certainly no harm has been done by the Com-
22 mission's action.

23 GOV. ANDERSON: Now, then, have we checked these
24 agreements?

25 MR. SHAVELSON: Yes, we have, sir.

26 GOV. ANDERSON: In other words, we are not just

1 approving them to be on the record; you have checked them?

2 MR. SHAVELSON: We have analyzed these agreements
3 exactly as though the title to the tidelands were not in
4 dispute.

5 MR. CRANSTON: Recommended for approval?

6 MR. SHAVELSON: Yes.

7 GOV. ANDERSON: I'll move it.

8 MR. CHAMPION: Second.

9 MR. CRANSTON: Moved and seconded, adopted unani-
10 mously.

11 Item (b) Authorization for Executive Officer to
12 certify approval of: (1) "Second Agreement Amending Contract
13 for Sale of Natural Gas," between the City of Long Beach and
14 its Board of Harbor Commissioners, as First Parties; Lomita
15 Gasoline Company, as Second Party; Signal Oil and Gas Company,
16 as Third Party; and Long Beach Dock and Terminal Company, as
17 Fourth Party; and (2) "First Agreement Amending Contract for
18 Sale of Natural Gas (PHARR 'G-1' WELL)," between the Board of
19 Harbor Commissioners of the City of Long Beach, as First
20 Party; Lomita Gasoline Company, as Second Party; and Signal
21 Oil and Gas Company, as Third Party.

22 GOV. ANDERSON: My motion of approval, I thought,
23 covered it all.

24 MR. CRANSTON: You are seconding that?

25 MR. CHAMPION: Second.

26 MR. CRANSTON: Approval is moved, seconded, and

1 unanimously ordered of the entire matter.

2 Frank, do you have anything to report on the meeting
3 held Monday on the Long Beach Wilmington Oil item?

4 MR. HORTIG: Yes, sir. If you gentlemen will refer
5 to Supplemental Calendar Item, page 36, attached to your
6 calendars, pursuant to the directive from the Commission on
7 March 28th, the State Lands Division staff did hold public
8 reviews in Los Angeles on April 15th and April 22nd, which
9 was last Monday. In response to your question, Mr. Chair-
10 man, relative to the proposed contracts for development of
11 the Long Beach Unit of the Wilmington Oil Field, these re-
12 views were full-day sessions, were attended by approximately
13 one hundred representatives of the petroleum industry, the
14 City of Long Beach, private citizens, and other interested
15 parties. Full opportunity for discussion resulted in ques-
16 tions, suggestions, and recommendations that will provide
17 factual bases for further staff consideration and coordina-
18 tion with the physical, legal and economic appraisals and
19 recommendations including those that will develop from
20 Senate Resolution 100, which was adopted on April 8, 1963,
21 reading as follows (and reading only the "Resolved" portions):

22 "Resolved by the Senate of the State of California,
23 That the State Lands Commission be requested to
24 withhold until May 15th, 1963 its determinations
25 with respect to all of the documents relating to a
26 bid offering by the City of Long Beach for the ex-
traction of oil, gas and hydrocarbons from the East
Wilmington Oil Field; and be it further

"Resolved, That the State Lands Commission be

1 encouraged to continue public hearings and re-
 2 views by its staff relating to such existing or
 3 proposed documents, recognizing the value of such
 4 hearings and review to insure maximum participation
 5 by all those who may be concerned and who may aid
 6 in a final determination of the most appropriate
 7 approach for such extraction which will be to the
 8 maximum equitable benefit to the State, the City
 9 of Long Beach, and the industry; and be it further

10 "Resolved, That the Senate Rules Committee assign
 11 this resolution for study to the General Research
 12 Committee of the Senate, directing such committee
 13 to make a thorough physical, legal and economic
 14 appraisal of the proposed oil, gas and hydrocarbon
 15 extractions, as expeditiously as possible, and to
 16 report its recommendations thereon to the Senate
 17 at this session of the Legislature; . . ."

18 MR. HORTIG: (continuing) At this point, I can
 19 also report that the Senate Rules Committee has appointed a
 20 Special Research Committee of the Senate, Senator O'Sullivan
 21 Chairman, together with six other members, who are proceed-
 22 ing with the study directed by this resolution.

23 For the further information of the Commission,
 24 Assembly House Resolution 196 I can now report was adopted
 25 April 23, 1963, and reading the resolution: (on the bottom
 26 of page 38)

"Resolved by the Assembly of the State of Cali-
 27 fornia, That the Assembly urges the State Lands
 28 Commission to approve promptly the Unit Agreement,
 29 Long Beach Unit, Wilmington Oil Field, California,
 30 Unit Operating Agreement, Wilmington Oil Field,
 31 California, and Field Contractor Agreement, Long
 32 Beach Unit, Wilmington Oil Field, California; . . ."

33 MR. CRANSTON: Anything further to report?

34 MR. HORTIG: No sir, unless in response to a
 35 question.

1 MR. CHAMPION: Is there any third course?

2 MR. GRANSTON: We will go on to Item 5 -- Authori-
3 zation for Executive Officer to enter into an agreement.....

4 MR. HORTIG: Excuse me, Mr. Chairman. Under the
5 circumstances, I believe it might be appropriate to read for
6 the record letters received in general reference to the Long
7 Beach contract subject, which were requested by the senders
8 to be read into the record.

9 MR. CHAMPION: Can these documents be entered into
10 the record without reading them?

11 MR. HORTIG: They can be. I can only say the
12 request of one is: "It is requested that this letter be read
13 verbatim into the record at the next formal meeting of the
14 State Lands Commission"; and the other, "It would be appre-
15 ciated if you would have this letter read into the record of
16 your April 25 meeting."

17 MR. CHAMPION: I move that these be considered read
18 into the record.

19 GOV. ANDERSON: Second.

20 MR. GRANSTON: Moved and seconded, approved unani-
21 mously.

22 GOV. ANDERSON: You could identify them for the
23 record.

24 MR. HORTIG: The letters which are the subject of
25 the motion just passed are, (1), letter of April 1, 1963 from
26 Pauley Petroleum Inc., Reference: Long Beach Tidelands, signed

1 by Mr. L. E. Scott; and the second letter is one from the
 2 Long Beach Chamber of Commerce, April 22, 1963, signed by
 3 Orville Cole, M.D., President.

4 GOV. ANDERSON: And the contents of these letters
 5 are public. Anyone that wants to read them can come and read
 6 them, can't they?

7 MR. HORTIG: Yes, and they will be included in the
 8 transcript as produced for the Commission.

9 (Letters referred to are reproduced below)

10 "State Lands Commission April 1, 1963
 11 302 State Building
 12 217 West First Street
 Los Angeles 12, California

13 Attention: Mr. Frank J. Hortig, Executive Officer
 Reference: Long Beach Tidelands

14 Gentlemen:

15 Attached herewith is an article found at Page A-6 of the
 16 LONG BEACH INDEPENDENT dated Saturday, March 30, 1963,
 17 wherein it is reported that Long Beach Oil Development
 18 Company, Signal Oil and Gas Company, Texaco Inc., and
 Union Pacific Railroad Company have filed a lawsuit in
 an effort to declare unconstitutional the City of Long
 Beach's Oil Production License Tax.

19 This is called to your attention in order that you may
 20 confer with your Staff and the Attorney General in an
 21 effort to ascertain the effect of this action upon the
 22 presently existing proposal before the State Lands Com-
 mission. We must always keep in mind that any tax,
 23 regardless of how small, has a material effect upon what
 a company bids in this area. One per cent of the value
 of the Long Beach Tidelands oil is approximately
 24 \$45,000,000. If an ambiguity exists as to the legality
 of a tax to be levied upon a producer, it will materially
 25 affect the bid and could very easily eliminate competi-
 26 tion and 'chill the bid' of those who do file a bid.

This and all other taxes become a major problem because
 of the remarkable statement by the City of Long Beach on

1 "March 28, 1963, in its comments relative to the state-
 2 ment of the undersigned to the State Lands Commission
 3 February 28, 1963. This statement, shown on Page 32 of
 4 Long Beach's statement, reads as follows:

5 '1. Ad valorem and other taxes;

6 COMMENT:

7 Although we appreciate the industry's concern
 8 over taxes, we submit that consideration of
 9 the tax question is not relevant to considera-
 10 tion of this contract.....'

11 "Reference is also made to the statement of the Attorney
 12 General at the March 28, 1963 meeting where he indicated
 13 that there is a strong possibility that the Field Con-
 14 tractor would have to pay an ad valorem tax on the total
 15 value of the production.

16 "It is our strong recommendation that the Attorney
 17 General be asked to file a formal opinion at an early
 18 date, setting forth the tax, the amount, and who is to
 19 pay same, on the Long Beach Tidelands. The Commission
 20 and Staff will no doubt agree that every business and
 21 each citizen of the State of California has the right
 22 to know the amount of its potential tax liability be-
 23 fore making a commitment. We believe, also, that it is
 24 to the best interests of the State of California to
 25 know its potential tax income on a venture of this
 26 magnitude.

"It is requested that this letter be read verbatim into
 the record at the next formal meeting of the State Lands
 Commission.

Yours very truly,
 /s/ L. E. Scott

LES:hb

cc: Hon. Glenn M. Anderson, Lt. Governor
 Hon. Hale Champion, Director of Finance
 Hon. Alan Cranston, Controller, State of California
 Senator Virgil O'Sullivan

FOLLOWING IS REPRODUCTION OF ARTICLE REFERRED
 TO IN FIRST PARAGRAPH OF ABOVE LETTER:

"FOUR FIRMS DEMAND OIL TAX REFUNDS

"Four oil companies Friday demanded refund of \$66,693
 in city oil production license taxes they paid last
 October under protest.

"The firms filed claims with City Treasurer William

1 "Ramsell for referral to the city council -- a move
2 that normally precedes court action.

3 "Union Pacific Railroad Co. sought the largest amount,
4 \$52,356, paid both as an individual producer and as
5 unit producer in the harbor district.

6 "Other claimants were Long Beach Oil Development Co.,
7 \$7,403; Signal Oil and Gas Co., \$5,711, and Texaco Inc.
8 \$1,255.

9 * * * * *

10 "IN ADDITION to the constitutional grounds cited in the
11 original protest, Union Pacific raised a new argument.
12 The company contended that during the period covered
13 by the claim -- June-Aug. 1962 -- it already had a pre-
14 paid license to do business in Long Beach.

15 "City officials noted that the new production tax
16 license ordinance specified that pro rata amounts of
17 the previous \$50 annual license fee would be refunded
18 or applied to the new levy. The production tax is three
19 cents a barrel. "

20 (End of newspaper article)

21 * *

22 "Alan Cranston, Chairman
23 State Lands Commission
24 Sacramento, California

25 April 22, 1963

26 Dear Mr. Chairman:

It would be appreciated if you would have this letter
read into the record of your April 25 meeting.

In connection with the proposed Long Beach Oil Develop-
ment program you are considering, we wish to stress one
important objective of the City's which is of paramount
importance to the people of Long Beach. It is the
absolute necessity of avoiding land sinkage.

As you know, Long Beach has just emerged from the grim
shadow of subsidence of its harbor, shoreline and down-
town areas. Land over the developed part of the Wil-
mington Oil Field has sunk as much as 27 feet in one
place and sinking has spread over 20 square miles.
More than \$90 million of damage has been suffered by
public and private properties. Thousands of lives have
been endangered. The Long Beach Navy Shipyard, our

1 "second largest industrial activity and payroll, was
2 threatened with closure.

3 Subsidence did irreparable and inestimable damage to
4 Long Beach's economy by frightening away investment
5 capital. As you know from our correspondence with
6 your Commission, dating back to September 13, 1955, the
7 Chamber of Commerce fought literally for years to force
8 a cure for subsidence. The fight demanded the combined
9 and intense efforts of many of our top governmental and
10 civic leaders, almost to the exclusion of other con-
11 structive projects. It was a bitter struggle which we,
12 at all costs, are determined not to repeat.

13 We have learned from harsh experience that subsidence
14 is easier to prevent than cure. The Long Beach pro-
15 posal is designed to do just that -- prevent subsidence.

16 The principal difficulty Long Beach faced in stopping
17 subsidence, which centered in the presently developed
18 part of the field, was the large number of economic
19 interests involved, although the City and the State had
20 practically no control over their actions, the complete
21 cooperation of those numerous interests was essential
22 to develop an effective repressuring program. The
23 delays in getting that cooperation spread over too
24 many years while a vital part of the City sank. In
25 fact, cooperation speeded up only after the coercive
26 effect of the Navy lawsuit.

1 In the plan now before you, there will be only one
2 operator, there will be adequate City and State control,
3 and there will be no danger of disputes over where,
4 when, and how to repressure and thus prevent subsidence.
5 But if you divide the economic interests and the
6 responsibilities, you will open the door for the specter
7 of subsidence to again appear.

8 Our Chamber lead the successful effort to pass the
9 February 1956 City law which prohibited any oil develop-
10 ment in the offshore area you are considering, until
11 adequate subsidence safeguards were presented in an
12 oil development plan to be approved by the voters. The
13 City carefully prepared such a plan and our Chamber sup-
14 ported it in the February 1962 election when the City
15 voters approved it.

16 We do not believe the people of Long Beach would have
17 approved the proposed oil development without being
18 assured that the field would be developed as one unit
19 with City control to avoid any subsidence hazards.

1 "We likewise believe that if the City's control is
2 lessened, and the safeguards against subsidence
3 weakened, the people of Long Beach will demand that
4 the ban against drilling in this area be restored.

5 "We are stressing to you the seriousness with which we
6 view the subsidence aspects of this matter because,
7 other than in the City's presentation, we have seen no
8 evidence of concern about subsidence on the part of
9 those who are critical of portions of the City's
10 proposal.

11 "We endorse the City's program as submitted to you and
12 urge its approval. To keep the record current about
13 the dangers of subsidence, we are also submitting a
14 pictorial brochure we prepared in 1957 which shows some
15 of the severe damage Long Beach had suffered up to that
16 time. We cannot let such a catastrophe happen again.

17 Respectfully,

18 /s/ Orville Cole
19 Orville W. Cole, M.D.
20 President

21 *****

22 MR. SIEROTY: May I make a short comment? The
23 Long Beach Chamber of Commerce letter, which has been placed
24 in the record, refers to the subsidence problem in Long
25 Beach and gives as a reason for opposing the breaking of
26 the Tract I area into undivided interests, or any other
break up, the need for subsidence control; and it says in
here that "We are stressing to you the seriousness with
which we view the subsidence aspects of this matter because,
other than in the City's presentation, we have seen no evi-
dence of concern about subsidence on the part of those who
are critical of portions of the City's proposal."

So I would like to say that I was at the hearing,

1 representing Lieutenant Governor Anderson and I stated, and I
2 am sure that the Commission feels this way, that we are defin-
3 itely probably more concerned about the subsidence features
4 than any other single feature in this area; and it is in the
5 record of the hearing, but I thought we might present that
6 now for the Chamber of Commerce's information.

7 MR. CRANSTON: Yes, I am sure the record of the
8 Commission indicates continuing interest and careful interest
9 in the matter of subsidence.

10 MR. CHAMPION: And, as a matter of fact, I see
11 unanimity on that subject that has led to the discussion of
12 other things.

13 MR. CRANSTON: We will go on to Item 5 -- Authori-
14 zation for Executive Officer to enter into an agreement with
15 Beachlake Corporation, stipulating the Ordinary High Water
16 Mark along the Gulf of Santa Catalina, and fixing the boundary
17 between State tidelands and property owned by Beachlake Cor-
18 poration in the vicinity of Oceanside, San Diego County.

19 MR. HORTIG: As the Commissioners may recall, at
20 recent meetings the fixing of the boundary for the major por-
21 tion of the ocean frontage along the City of Oceanside, which
22 is owned by the City of Oceanside, was approved by the Commis-
23 sion. The present segment of boundary here recommended for
24 approval is the only intervening privately owned segment,
25 and this is compatible with the boundary previously approved
26 for the City of Oceanside on either side of the City of

1 Oceanside, in the two previous recommendations.

2 GOV. ANDERSON: This connects the two pieces?

3 MR. HORTIG: That's right -- closes the last gap.

4 GOV. ANDERSON: I move it.

5 MR. CHAMPION: Second.

6 MR. CRANSTON: Approval moved, seconded, ordered
7 unanimately.

8 Item 6 -- Authorization for Executive Officer to
9 execute an agreement which will convey to the United States
10 of America a limited leasehold interest in approximately
11 fifteen acres of tidelands in Santa Barbara County, for the
12 period from August 31, 1962 through June 30, 1968 (in the
13 interest of national defense).

14 MR. HORTIG: The United States Government has
15 filed an intermittent period seven-year condemnation of
16 Point Sal State Beach Park in connection with the necessity
17 for controlling the area in the light of the operations being
18 conducted from Vandenberg Air Force Base in the Pacific Mis-
19 sile Range. The recommendation that a limited leasehold
20 interest be granted in this tidelands strip to the United
21 States for the same period as the condemnation for the Park
22 parcel is in lieu of the United States condemning the State
23 lands. By this method it will be certain that at the expira-
24 tion of the limited agreement for leasehold interest, the
25 title for the tidelands will revert to the State of California
26 without any question.

GOV. ANDERSON: How wide is the strip -- just

1 approximately?

2 MR. HORTIG: Inasmuch as it contains only a total
3 of fifteen acres and it is several miles long and is described
4 as "the tidelands" and not the submerged lands, it is that
5 strip of varying width between high and low tide; in other
6 words, that area which would be uncovered by the flow of the
7 tide daily, averaging somewhere between one hundred and two
8 hundred feet.

9 GOV. ANDERSON: It reaches all the way from Mussel
10 Point to these rocks down south?

11 MR. HORTIG: That is correct, sir.

12 GOV. ANDERSON: How long is that strip -- several
13 miles?

14 MR. HORTIG: Yes sir, at least five miles.

15 GOV. ANDERSON: Five miles?

16 MR. HORTIG: The strip of necessity is very narrow
17 or it would be more than fifteen acres. It is only the tide-
18 lands strip down to low tide.

19 GOV. ANDERSON: I'll move it.

20 MR. CHAMPION: Second it.

21 MR. CRANSTON: Approval moved, seconded, made
22 unanimously.

23 Item 7 -- Acceptance of bid made by Union Oil Com-
24 pany of California and Humble Oil & Refining Company, for
25 Parcel 12, Santa Barbara County, with cash bonus payment of
26 \$612,840. Frank?

1 MR. HORTIG: As the Commission will recall from the
2 previous report, the apparent high bidder for Parcel 12, pur-
3 suant to published notice of intention authorized by the
4 State Lands Commission, was the joint bid of Union Oil Com-
5 pany of California and Humble Oil & Refining Company --
6 offering a cash bonus of \$612,840.

7 The bid offer has been reviewed by the Office of
8 the Attorney General as to legal compliance with all bid
9 terms and conditions, and by the staff of the State Lands
10 Division as to technical and economic sufficiency, and it is
11 recommended that a lease be awarded pursuant to this high bid.

12 MR. CHAMPION: So move.

13 GOV. ANDERSON: Second.

14 MR. CRANSTON: Moved, seconded, adopted unanimously.

15 Item 8 -- Confirmation of transactions consummated
16 by the Executive Officer pursuant to authority confirmed by
17 the Commission at its meeting on October 5, 1959.

18 MR. HORTIG: These actions again, Mr. Chairman,
19 were in the nature of replacement leases for previously auth-
20 orized but expiring grazing leases; and extensions of the
21 terms of offshore exploration permits previously authorized
22 by resolution of the State Lands Commission; and the execution
23 of a temporary permit to the U. S. Corps of Engineers for a
24 very limited term, to permit utilization of an area for tak-
25 ing off and landing amphibious aircraft on the shore of Mono
26 Lake, for military exercises.

1 MR. CHAMPION: Move approval.

2 GOV. ANDERSON: Second.

3 MR. CRANSTON: Approval moved, seconded, made
4 unanimously.

5 Item 9 -- Anything new on that?

6 MR. HORTIG: We, of course, bring attention to the
7 action previously referred to but not previously calendared
8 because of lack of the date for answer to be filed on motion
9 for leave to file supplementary complaint on the part of the
10 Solicitor General, seeking to reactivate the case of U. S.
11 versus California relating to sovereignty of lands offshore
12 from the mainland of California, more than three miles from
13 the offlying Channel Islands. An answer is to be filed on
14 this action by May 14th and but for the fact that he is in
15 attendance at our meeting today, Deputy Shavelson would be
16 enmeshed and immersed in the completion of the draft of this
17 answer, along with other members of the staff of the Attorney
18 General's Office in Los Angeles, to proceed with counsel's
19 portion of the implementation of the full defense of the
20 State's position, as directed at the last meeting.

21 MR. CHAMPION: May I ask whether we are opposing the
22 opening or whether we are assuming that we should proceed with
23 some sort of legal action? Is there any question of opposing
24 the opening?

25 MR. SHAVELSON: Mr. Champion, the present issue is
26 primarily a procedural one, the United States taking the

1 position that this is a continuation of the old case. We
2 haven't prepared our brief yet and we can't make any public
3 statement, but it is very likely we will take a contrary
4 position on that procedural point; but as far as the necess-
5 ity for settling the controversy, I think there is no great
6 difference between the United States and California.

7 MR. CHAMPION: I was curious about that because I
8 think members of the Commission received letters -- I think
9 from Under-Secretary Carr, which asked if we were willing to
10 proceed with this, regardless of the procedural aspects of
11 what is going to be before the courts, the idea being that we
12 should get some decision on the general controversy.

13 MR. SHAVELSON: May I ask if that was since the
14 filing?

15 MR. CHAMPION: Yes.

16 MR. SHAVELSON: Will we be furnished with copies?

17 MR. HORTIG: You can be.

18 MR. CRANSTON: Is that all?

19 MR. HORTIG: Yes, sir.

20 MR. CRANSTON: We have a supplemental calendar
21 item, informative, on status of legislation. Do you have
22 any further information?

23 MR. HORTIG: Not beyond what was cataloged there --
24 other than, of course, the data with respect to Senate Reso-
25 lution 100 and House Resolution 196 have been updated since
26 this tabulation as to their current status.

1 MR. CRANSTON: Do you have any information on the
2 current status of the dredging of the Bay and the filling
3 in of the Bay?

4 MR. HORTIG: As a result of participation in the
5 Assembly Oil and Manufacturing hearing, which consumed two
6 hours yesterday afternoon -- Assemblyman Kennick, who was
7 hearing the measure, had asked that I attend the hearing for
8 possible technical support and administrative advice as to
9 how the measure could be administered if adopted. Many con-
10 tentions, both pro and con, with respect to the matter were
11 made after Assemblyman Kennick requested that I comment on
12 the contemplated action, inasmuch as this was not a measure
13 which was requested to be introduced by the State Lands Com-
14 mission but has been requested by one of our potential per-
15 mittees and, indeed, one of our present sand and gravel ex-
16 traction lessees. The result was that in necessary responses
17 to these questions, I became involved in more discussion and
18 debate than any other single opponent or proponent of the
19 measure.

20 MR. CHAMPION: How were you eventually categorized?

21 MR. HORTIG: I didn't hear any direct quotes. I
22 can only report that the committee ordered the bill "Do Pass."

23 MR. CRANSTON: What does the bill comprise?

24 MR. HORTIG: The bill will authorize the State
25 Lands Commission to issue permits for the extraction of sand
26 and gravel subject to all the currently existing protections

1 under State Law, but without the necessity of describing pre-
2 cisely, in accordance with normal legal requirements for issu-
3 ance of a lease, the exact area from which sand and gravel is
4 to be extracted, the necessity for such roving description
5 for extraction of sand and gravel which will arise when ex-
6 tractors find that it becomes necessary to go outside of the
7 Golden Gate in the ocean, where the sand is shifting continu-
8 ously and in case of severe storms a particular body of sand
9 has been known to move more than two miles in twenty-four
10 hours.

11 Consequently, if a State lessee had a particular
12 description in his lease, he might find he no longer had any
13 sand in the area in which he was authorized to operate.

14 Therefore, so that operations could be conducted
15 under a general permit, in which the amount of sand extracted
16 would be measured and the State's royalty paid on that sand,
17 is the announced purpose of Senate Bill 339.

18 As to the objections that were voiced, ultimately
19 the objectors all agreed they had no objections per se to the
20 removal of sand; they were fearful that this might produce a
21 body of construction and fill material that would result in
22 an expansion of filling activities in San Francisco Bay to
23 the detriment of the tidal waters and the esthetics of San
24 Francisco Bay -- which, as the Chairman pointed out, was the
25 problem of local zoning proponents.

26 MR. CHAIRMAN: There is other legislation which

1 would prohibit this.

2 MR. HORTIG: As of two days ago, Assemblyman Petris
3 introduced a bill to, in effect, provide a four-year mora-
4 torium on filling projects in San Francisco Bay. I should
5 report to the Commission that all filling projects in San
6 Francisco Bay currently authorized and currently in operation
7 are on granted tide and submerged lands and have been granted
8 by particular municipalities, and have not been authorized by
9 any State body, or on privately owned tidelands purchased
10 many years ago from the State. So there are no activities
11 authorized by the State Lands Commission that are any part
12 or parcel of the problem and concern with respect to Senate
13 Bill 339.

14 MR. GRANSTON: This bill actually does not speed
15 up extraction; it just proposes to make it a simpler matter
16 to carry out the work?

17 MR. HORTIG: It might make it feasible to extract
18 sand in the outer ocean, where admittedly it is more costly
19 to get it but where ultimately San Francisco contractors are
20 going to have to get it because they are running out of use-
21 able sand in San Francisco Bay.

22 GOV. ANDERSON: Under present law you are limited
23 to sand within the Bay?

24 MR. HORTIG: No, sir.

25 GOV. ANDERSON: Can you describe that sand outside
26 the Bay?

1 MR. HORTIG: Yes, we could today -- if the sand
2 would stay in the area we describe.

3 GOV. ANDERSON: So for all practical purposes, you
4 can't sell it beyond the Bay?

5 MR. CHAMPION: People won't buy it.

6 GOV. ANDERSON: The present law limits you for
7 practical purposes to inside the Bay?

8 MR. HORTIG: Or such areas where the sand doesn't
9 have the tendency to move. It doesn't move this rapidly most
10 places offshore, but right off San Francisco Bay it does.

11 GOV. ANDERSON: So, in a sense, we are expanding
12 our operations outside the Bay, where effectively we can't
13 sell it now.

14 MR. HORTIG: However, the statute would apply
15 statewide.

16 GOV. ANDERSON: In this particular case we are talk-
17 ing about a sand bar that moves?

18 MR. HORTIG: Right.

19 GOV. ANDERSON: What is also discussed, aside from
20 filling inside the Bay -- the erosion effect to the sand on
21 the beach, and so on.

22 MR. HORTIG: Yes. Inasmuch as the proposal in
23 Senate Bill 339 is simply an addition of administrative flexi-
24 bility to the Public Resources Code, issuance of a permit pur-
25 suant to such authorization would be subject to all existing
26 safeguards -- which include now the necessity, prior to any

1 issuance of permit or lease by the State Lands Commission,
2 for a reference of the permit application to the Division of
3 Beaches and Parks for analysis and report as to whether or
4 not the operation may have a detrimental effect on the adjoining
5 recreational lands; for review by the successors to the
6 former Department of Natural Resources; also the U. S. Army
7 Corps of Engineers must issue a permit as to the locale of
8 the dredging specifically, irrespective of the permit by the
9 State Lands Commission, which is based on an assurance that
10 there will be no hazards created to navigation; and, finally,
11 Senate Bill 339 as amended yesterday in committee by the author
12 would provide that, in addition to all these other bodies
13 that must review a permit before it can be issued by the
14 State Lands Commission, review will also be made by the
15 Resources Agency of the State of California; and, finally, the
16 statute provides that if any of these reviews indicate that
17 there could be any detrimental effect, the Lands Commission
18 must modify the form of permit and put in restrictions and
19 safeguards to insure that there will be no detrimental effect
20 before the permit is issued.

21 GOV. ANDERSON: Did you go on record in favor of
22 this bill?

23 MR. HORTIG: No sir, I did not.

24 GOV. ANDERSON: In other words, as far as we are
25 concerned we have not taken a position?

26 MR. HORTIG: No sir, and all we reported on was

1 how it appears it would administrated if it were adopted and
2 the technical features, and the existence of these safeguards
3 that are already in the statute.

4 GOV. ANDERSON: I think you should keep it on that
5 basis; because not knowing too much about it, my reaction
6 would be to oppose the thing and even with all these safe-
7 guards in there, I am still worried about the effects of the
8 bill because I haven't seen much on what the effects would
9 be of the bill. In fact, I have explained that I am opposed
10 to it several times and I would be opposed to the Commission
11 taking any position in support of it.

12 MR. HORTIG: We did not take a position in support
13 of it. We were only there as technical consultant.

14 MR. CRANSTON: I'd like to ask about the Petris
15 moratorium. That would affect us in some areas?

16 MR. HORTIG: I don't believe so. We have not seen
17 the bill in printed form, but from the press releases, as I
18 pointed out, the State Lands Commission has no filling opera-
19 tions in San Francisco Bay.

20 MR. CRANSTON: There could be some?

21 MR. HORTIG: There could be, but it has been some
22 years since the State Lands Commission has had an application
23 to fill any State lands.

24 MR. CRANSTON: This would simply stop dredging.

25 GOV. ANDERSON: Is there any other legislation - -
26 We had this constitutional amendment that affected certain

1 tidelands in San Francisco Bay. Is there any legislation
2 now before the Legislature which would make additional grants
3 subject to this kind of filling or development?

4 MR. HORTIG: Well, there are probably fourteen
5 grant bills in various stages going through the Legislature,
6 of which three or four affect San Francisco or San Pablo Bay,
7 of which two affect specifically tidelands offshore from the
8 City and County of San Francisco. One of them affects tide-
9 lands that have been filled for many years and this is by
10 way of clearing the record. In other words, the entire
11 Marina area of San Francisco, that is filled and has streets
12 on top of it, is still for the record technically tidelands
13 until this legislation grants the lands and removes the
14 navigation trust; but, specifically, there is a bill that
15 would authorize the Lands Commission to sell the remaining
16 underwater streets within that area, which has been desig-
17 nated by another statute as the Hunters Point Reclamation
18 District; and the obvious purpose for which the Legislature
19 created this district is to fill and provide industrial lots
20 and industrial sites.

21 MR. CHAMPION: Without going into it further,
22 could we have a memorandum on legislation which would affect
23 San Francisco Bay filling or use for any purpose of tide-
24 lands grants? For instance, I know the Port Authority has
25 either put in a bill, or intends to put in a bill, which
26 will assist them in the development of the so-called

1 Embarcadero City, which may get into this whole complex.
2 I think it would be helpful if we had a memorandum of all
3 the legislation now, on which effects are analyzed.

4 MR. HORTIG: This, of course, we can do forthwith,
5 with respect to San Francisco Bay. I think at the same time
6 we should include for your information everything else that
7 is pending for other tideland areas elsewhere in the State
8 of California; there are probably three times as many bills
9 for other areas, other than San Francisco Bay.

10 MR. CRANSTON: Any further matters?

11 MR. SIEROTY: I was asking Mr. Hortig whether he
12 might want to make a comment on Senate Bill 298.

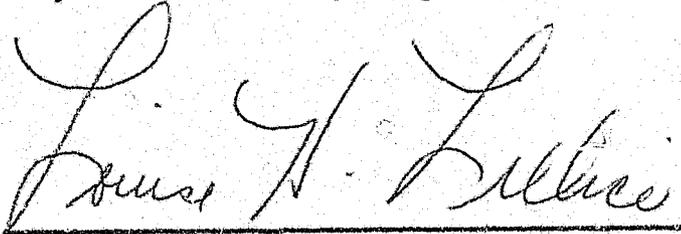
13 MR. HORTIG: Senate Bill 298, which is one of the
14 ten bills which the Lands Commission authorized to be intro-
15 duced at its request -- which would provide clarification of
16 the authority in the State Lands Commission to unitize State
17 lands in conjunction with an adjoining pre-existing develop-
18 ment -- was scheduled for committee hearing, Senate Committee
19 on Governmental Efficiency, yesterday morning; but the
20 author, Senator Rees, requested that the hearing be deferred
21 to a date indefinite.

22 MR. CRANSTON: Any further matters to come before
23 the Commission? (No response) If not, the final item is
24 reconfirmation of date, time, and place of next Commission
25 meeting -- which is Thursday, May 23rd, 10:00 a.m., here in
26 Sacramento. There being no further matters, we now stand
adjourned.

CERTIFICATE OF REPORTER

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2
3 I, LOUISE H. LILLICO, reporter for the Office of
4 Administrative Procedure, hereby certify that the foregoing
5 thirty pages contain a full, true and correct transcript
6 of the shorthand notes taken by me in the meeting of the
7 STATE LANDS COMMISSION at Sacramento, California, on
8 April 25, 1963.

9 Dated: Los Angeles, California, May 6, 1963.

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