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TRANSCRIPT OF
MEETING
of

STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA

August 18, 1964

PARTICIPANTS:

THE COMMISSION:

Honorable Hale Champion, Director of Finance, Chairman
Honorable Glenn M. Anderson, Lieutenant Governor
Honorable Alan Cranston, Controller

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:

(In the order of their appearance)

Mr. James Harvey Brown, Councilman,
City of Los Angeles

Assemblyman Charles E. Chapel.

Mr. A. O. Spaulding, Petroleum Administrator,
City of Los Angeles

Mr. Leonard Shane, President Los Angeles
Recreation and Parks Commission

continued

APPEARANCES: (Continued)

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Mr. Karl Ourston, Principal City Planner, Los Angeles Planning Department

Dr. H. H. Levine, Oil Well Committee, Marina Peninsula Property Owners Association

Mr. L. E. Scott, Pauley Petroleum

Mr. Harold A. Lingle, Deputy City Attorney, City of Long Beach

Mrs. James P. Crowley, Citizens Committee for Preservation of Public Beaches and Parks, Long Beach

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(In accordance with Calendar Summary)

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1 MR. CHAMPION: The meeting will please come to
2 order. Minutes of meetings of April 29, May 8 and May 28,
3 1964, having been furnished to the Commission, what is your
4 pleasure?

5 GOV. ANDERSON: I move.

6 MR. CRANSTON: Second.

7 MR. CHAMPION: Stand approved without change. For
8 the convenience of both the Lieutenant Governor, who has to
9 leave early, and some witnesses who are here, we will take
10 up Calendar Item 13, which is approval of resolution, oil and
11 gas lease, City of Los Angeles, Santa Monica Bay, Los Angeles
12 County. Mr. Hortig, what is the status of that item?

13 MR. HORTIG: Mr. Chairman, if the Commission please,
14 actually Item 12 -- which would be determination of Commission
15 policy which must be determined precedent to consideration of
16 the approval of the resolution -- would appear to be the first
17 one that should be considered by the Commission.

18 GOV. ANDERSON: They are both the same?

19 MR. HORTIG: That is correct. One would be general
20 policy.

21 MR. CHAMPION: One is general policy and the other
22 as to Los Angeles?

23 MR. HORTIG: Well, tidelands under the jurisdiction
24 of the State's grantees without reference to specific location.

25 MR. CHAMPION: Would you please expound on the
26 recommendation of the staff on Number 12?

1 MR. HORTIG: As outlined on pages 49 and following
 2 of the calendar before the Commission, the Commissioners will
 3 recall that at the meeting on July 28th action on th^e subject
 4 was continued in order for the staff and the City of Los
 5 Angeles representatives to conduct a joint review of the drill-
 6 ing and production technology of the oil industry relative to
 7 the development of offshore oil and gas deposits to determine
 8 any method of operation that would result in an economically
 9 feasible oil exploitation program and also satisfy esthetic
 10 requirements.

11 Pursuant to this directive of the Commission, the
 12 subject has been reviewed and discussed with the Petroleum
 13 Administrator of the City of Los Angeles, and it was found
 14 that the various departments of the City with responsibility
 15 in this operation have heretofore made a comprehensive study
 16 of all anticipated problems attendant to offshore operations
 17 and these studies are attached to the Commissioners' calendar
 18 as Exhibit A, being primarily the results of the reviews by
 19 the City Recreation and Parks Commission and the City Planning
 20 Commission, which culminated in the adoption of an ordinance
 21 by the City Council of the City of Los Angeles with respect
 22 to the proposed operation.

23 The Planning Commission, after a full discussion of
 24 offshore development and suitable controls which could be
 25 reasonably exercised thereon, reached the conclusion which is
 26 specified in greater detail in Exhibit 7, a part of Exhibit A

1 of the Commissioners' calendar, "that the City has the responsi-
2 bility to provide adequate control of this development to as-
3 sure that it will not be materially detrimental to the scenic
4 and recreational features of our limited coastline. All off-
5 shore oil drilling techniques, the ocean floor completion,
6 the island and the platform are subject to certain limitations
7 that make their use unfeasible in given situations. Such fac-
8 tors as depth of water, depth of oil sands and quality of the
9 oil will determine the most feasible method. To limit all off-
10 shore drilling to one single technique when most of these
11 critical factors are still unknown, would appear to be undesir-
12 able and could seriously limit potential development."

13 As a result of these recommendations, the City
14 Council adopted Ordinance No. 126825, authorizing the manner,
15 method and controls over the proposed development, a copy of
16 which is attached to the Commissioners' calendar as Exhibit B.

17 Further, the staff of the Lands Division did make
18 an estimate or an evaluation of possible net profits which
19 might result from the development of the proposed parcel from
20 a drilling and production platform compared to the use of ocean
21 floor completed wells -- and those ocean floor completed wells
22 it must be noted would in all probability also require a pro-
23 duction platform, so that such an operation would not be com-
24 pletely devoid of any platform installation whatsoever, in
25 order to make it feasible -- and on the basis of such a com-
26 parison it is indicated that more revenue could result to the

1 City from the use by its lessee of a drilling and production
2 platform in the development of oil and gas deposits, where
3 those oil and gas deposits are located and the platforms would
4 be located more than a mile from the shore, which is the speci-
5 fication provided by the City Planning Commission as well as by
6 the City ordinance.

7 In view of the detailed study and conclusions that
8 have been reached as to feasibility for an operation by a
9 trustee of granted lands, and the detail which has been com-
10 pleted by the respective agencies of the City of Los Angeles,
11 who is the trustee in this particular area, it is recommended
12 that the Commission establish a policy for consideration for
13 approval of applications by coastal communities having an
14 intention to develop the petroleum resources under their juris-
15 diction when such application is based upon complete review
16 and comprehensive plan, enforceable by ordinance, for governing
17 offshore activities within the respective municipal limits.

18 Incidentally, also, there is a letter to the Commis-
19 sion from the Western Oil and Gas Association, an industry
20 association, which recommends consideration by the Commission
21 for approval of the proposed development plan as it has been
22 submitted by the City of Los Angeles.

23 MR. CHAMPION: I also received a copy of a letter
24 from Mayor Yorty. Do you have that?

25 MR. HORTIG: It is comparatively brief, Mr. Chairman.
26 Should I read this letter for the record?

1 MR. CHAMPION: Have the Commissioners received it?
 2 I don't think there is anything - - the letter simply is a
 3 supporting statement of what has been said by the Petroleum
 4 Administrator for the City. Did you receive a copy?

5 GOV. ANDERSON: I believe so.

6 MR. HORTIG: I think I should point out to the Com-
 7 mission there is a specific implication over and above what
 8 has been reported to the Commission before -- at least in
 9 detail.

10 MR. CHAMPION: Will you read that?

11 MR. HORTIG: That over and above the prior possible
 12 drainage which has occurred to the tide and submerged lands by
 13 reason of prior discoveries of oil at the Venice Oil Field, and
 14 I quote:

15 "More currently, the Standard Oil Company expects
 16 to file application for the establishment of four oil drilling
 17 districts between the City of Santa Monica and Marina del Rey
 18 within two weeks. Because these anticipated districts are
 19 located again contiguous with our shoreline properties, our
 20 tide and submerged lands may be expected to sustain still
 21 further drainage of oil reserves unless the City and State
 22 act promptly to prevent it.....

23 "In summary, the City of Los Angeles is aware of
 24 its obligations to the residents of the Santa Monica Bay
 25 region, to make sure that the oil operations do not permanently
 26 mar the seascape and destroy property values. At the same

1 time, we have been entrusted by the State with the careful
 2 administration of our granted tide and submerged lands. To
 3 ignore the implications of continued Venice Oil Field produc-
 4 tion and the future plans of the Standard Oil Company would
 5 be to run the risk of breaching of our trust obligations.
 6 Hence, we respectfully request that the State Lands Commission
 7 approve our petition when the matter is considered August 18,
 8 1964."

9 MR. CRANSTON: Is it your opinion that the City of
 10 Los Angeles has imposed controls that are equivalent to the
 11 controls we presently have in tidelands that are entirely
 12 under our jurisdiction?

13 MR. HORTIG: Under the specific plans which would
 14 be required for development under the City ordinance, the
 15 answer is yes.

16 GOV. ANDERSON: I don't understand that.

17 MR. HORTIG: In other words, the controls for the
 18 particular situation under consideration for proposed opera-
 19 tion under a City ordinance which has a limited area of
 20 geographical application to specific parcels of tide and
 21 submerged lands.

22 GOV. ANDERSON: Because this is a very limited area.
 23 How does this compare with controls we have off Santa Barbara
 24 and Orange County?

25 MR. HORTIG: For all purposes equal to the Commis-
 26 sion's -- operational and esthetic.

1 MR. CRANSTON: That was my question -- operational
 2 and esthetic. It seems to me that that being the case, our
 3 position should be that we should approve the application.
 4 As the first step, I move that we accept this policy recom-
 5 mendation.

6 GOV. ANDERSON: I want to ask some questions.

7 MR. CHAMPION: I think we also may have some wit-
 8 nesses. Let's at least call for testimony on this subject.
 9 Is this the subject you wish to be heard on, Assemblyman
 10 Chapel?

11 GOV. ANDERSON: Let me ask Mr. Hortig a couple of
 12 questions first. You stated the Western Oil and Gas Company
 13 had indicated that they wanted us to adopt the policy that the
 14 City of Los Angeles is recommending; in other words, they want
 15 the island, rather, the platform drilling. Can you tell me why?

16 MR. HORTIG: Yes. Without finding the particular
 17 letter from Western Oil and Gas....

18 GOV. ANDERSON: They felt it would be cheaper and
 19 they would make more money on it?

20 MR. HORTIG: No, sir. I think the recommendation is
 21 based on the same considerations by the City and definitely
 22 by the Lands Division, that to render any development program
 23 economically feasible at all requires the flexibility for
 24 engineering selection of the most effective efficient methods
 25 of production development, whether they be by platform island
 26 or ocean floor completion, as the Commission has considered

1 heretofore with respect to other lands, provided that control
2 conditions are specified -- and would be under the City ordi-
3 nance -- to assure that there be complete protection against
4 and no detrimental effects occurring to the developed shore-
5 line -- residential and recreational activity on shore.

6 GOV. ANDERSON: You are losing me there. Basically
7 what you are trying to tell me is there isn't enough oil in
8 that area to warrant ocean floor drilling; that it is more
9 expensive and either the quantity or quality of the oil might
10 not be enough to warrant that kind of drilling?

11 MR. HORTIG: This might be the case; we don't know.
12 On the other hand, if as a result of the exploratory drilling
13 it is determined that there is enough oil not only near shore
14 but for three miles out, to assure maximum development could
15 require that drilling take place through all the means that
16 are available for oil drilling production -- slant drilling
17 for that oil closest to the soil; platform for that in water
18 not beyond the depths of platforms; and possibly ocean floor
19 completions for only the reason that platforms cannot be oper-
20 ated in water of excessive depth. We have ocean floor comple-
21 tions on State leases that are there today simply because the
22 area could not be developed by platform or island because the
23 water was too deep, but the ocean floor completions are not
24 there simply because of esthetic consideration but for opera-
25 tional necessity or there would be no development.

26 GOV. ANDERSON: Then your answer is we do not know

1 whether there is enough or not enough oil to sustain ocean
2 floor drilling. We can't say the reason we cannot use ocean
3 floor drilling is because there is not enough oil or the quality
4 is not good enough. They do not know that, either.

5 MR. HORTIG: That is correct. I think it goes one
6 step further. We do not know there is oil there at all.

7 GOV. ANDERSON: We had the same situation in Santa
8 Barbara, when we started the ocean floor drilling there.

9 MR. HORTIG: The primary problem in Santa Barbara
10 with respect to ocean floor drilling was that a specified
11 method of development came into the leases that were issued
12 and offered by the Lands Commission at the request of the Santa
13 Barbara County Board of Supervisors and the City Council of
14 the City of Santa Barbara in public hearings, which are re-
15 quired by the Public Resources Code to be held by the Commission
16 before offering an area for lease. The Santa Barbara County
17 Board of Supervisors on behalf of the residents, and the resi-
18 dents who testified, stated that for the area easterly of
19 Gaviota to the easterly boundary line of the County of Santa
20 Barbara, operations would be satisfactory if platforms were
21 located not less than at least one mile offshore. Therefore,
22 for development of any oil deposits within that one-mile zone,
23 these are being developed by ocean floor completions. Beyond
24 a mile, they are being developed.

25 GOV. ANDERSON: Do they know there is any oil there
26 any more than here?

1 MR. HORTIG: Not then.

2 GOV. ANDERSON: But they are using ocean floor
3 development, so the argument they do not know here wouldn't
4 apply.

5 MR. HORTIG: Actually, the proposals under the
6 ordinance of the City of Los Angeles also propose that there
7 be no platforms or structures in the first mile offshore. An
8 operator who was successful in discovering oil in that first
9 mile would be required to develop this oil either by slant
10 drilling from the upland or by ocean floor completion.

11 GOV. ANDERSON: When you arranged this movie for us
12 a couple years ago, when you showed us how the ocean floor
13 drilling was the thing of the future and how this was going to
14 be the answer to navigational problems and esthetics and every-
15 thing else, I don't remember that you explained to us that each
16 time there is going to be one of these there is going to be a
17 production platform necessary on each one. You said we would
18 not even know there would be a well down, except there was a
19 little buoy on top of the water. Is this different today?

20 MR. HORTIG: No, sir. For a group of wells, it
21 might well become necessary that there be a production plat-
22 form; and, as a matter of fact, in the interim...

23 GOV. ANDERSON: We are only talking about perhaps
24 one or two wells.

25 MR. HORTIG: Oh, no sir.

26 GOV. ANDERSON: You explained there might be two

1 islands in this particular case.

2 MR. HORTIG: These would be two platforms that
3 would be sufficient to provide the drilling capacity to cover
4 the area more than a mile offshore and in water depths not too
5 great to support a platform. In other words, an ultimate
6 development - - Let's hypothesize a complete discovery in the
7 total area and necessity for developing the total area to its
8 maximum drilling density in accordance with the best reservoir
9 and engineering practice. It is conceivable that the develop-
10 ment could be engineered and should be engineered to contem-
11 plate wells onshore slant-drilled out into the first half mile
12 of the offshore zone; ocean floor completions on the second
13 half mile; two platforms covering the area from one to two
14 miles offshore; and possibly a series of ocean floor comple-
15 tion wells in the second to third mile because of greater
16 water depths.

17 GOV. ANDERSON: If they had ocean floor drilling out
18 here, they would have to have how many production platforms
19 for what they are talking about now -- one or two or how many?

20 MR. HORTIG: This we do not know, Governor, until
21 we have the type of oil in hand and the production problems
22 resulting from a discovery. Our best analogy is a State Lands
23 lease off Santa Barbara, that started to be developed with
24 ocean floor completion wells only because of excessive water
25 depth. Because of the low gravity of the oil, the cold water,
26 it was discovered that the oil could not be carried all the

1 way to shore, that the oil congealed; and in consequence, to
2 alleviate this production problem, there has now been estab-
3 lished at the approximate center one platform for fourteen
4 wells. But this is the only lease on which we have had to do
5 this as yet, but because of the particular type of oil.....

6 GOV. ANDERSON: From what you said a few years ago,
7 you said the oil could be piped into the facilities on shore
8 and this could be the answer to our esthetic problems. Are
9 we now looking in the other direction?

10 MR. HORTIG: Not at all. We said at the time of
11 that presentation, you will recall, that this could not be
12 considered the panacea to all problems but it was going to be
13 an asset where applicable and particularly for near-shore com-
14 pletions. The logical situation still is to pipe the oil on
15 to shore and this is done on every one of our other State leases.

16 GOV. ANDERSON: A mile out is not close enough to be
17 feasible?

18 MR. HORTIG: It can be depending on the quality of
19 the oil. We are doing this on some of the State leases; yet
20 we have another lease where we can't do it. This is simply
21 because of the quality of the oil.

22 MR. BROWN: Mr. Chairman, I have this problem --
23 that the Council convenes at ten and I am about overdue.

24 ASSEMBLYMAN CHAPEL: I yield.

25 MR. BROWN: I am James Harvey Brown, City Council,
26 and merely want to put the Council on record as approving the

1 recommendation that the lease which the Council has adopted
2 be approved. We have a number of experts here who are better
3 able to testify in connection with the new S.L. zone and the
4 lease which the Council approved under the recommendation of
5 its committee; and, as I say, Mr. Chairman, I am no expert and
6 not qualified to discuss it in detail, but the Council is
7 satisfied that the esthetic and economic situations are well
8 taken care of in the new S.L. zone and the proposed lease.

9 GOV. ANDERSON: Jim, is it my understanding that
10 your staff recommended ocean floor drilling and that then the
11 Planning Commission, or whoever it was, came back and said,
12 "No, give us an alternative," so then they came back with the
13 island? Wasn't the original recommendation of your staff for
14 ocean floor drilling?

15 MR. BROWN: I think you are probably right; but I
16 think one of the problems, Glenn, is the problem of oil,
17 assuming there is any. It is the kind of oil that is presum-
18 ably there that we would have trouble with in ocean floor
19 drilling.

20 GOV. ANDERSON: That the quantity or quality is not
21 good enough?

22 MR. BROWN: The quality. The quantity is, of course,
23 undetermined; but the quality, I suspect from what we know
24 about the other wells producing in the area, is such that it
25 doesn't lend itself to ocean floor drilling too well.

26 GOV. ANDERSON: If the quality is low and the

1 quantity is either low or undetermined, shouldn't we think an
2 awful lot before we do anything over there?

3 MR. BROWN: Except that we are in the position of
4 having our pool, again assuming there is oil out there, drained
5 by onshore drilling. If there is oil, we need the revenue
6 very badly for our beaches. So we do have concern about the
7 fact that our pool, if there is a pool, is being drained.

8 GOV. ANDERSON: But if it isn't good enough quality
9 or enough quantity to use the ocean floor, it probably isn't
10 very much anyway? I mean, if it is enough to make it worth
11 while, it should be enough to make it worthwhile to do it
12 right; and if we allow you to do it, isn't El Segundo, Redondo,
13 and so on going to say "We may have something out there, too,"
14 and we are going to have everyone running out there with wells.

15 MR. BROWN: I am assuming the State Lands Commission
16 is going to safeguard your condition.

17 GOV. ANDERSON: That is what we are worrying about
18 today.

19 MR. BROWN: I think that is your prime concern.

20 GOV. ANDERSON: Well, if we let you do that, can we
21 go to El Segundo, Redondo and Palos Verdes and say that they
22 can't?

23 MR. BROWN: From a practical consideration, I don't
24 think so, but if they follow the safeguards we propose you
25 have no concern. I think with the safeguards for this S.L.
26 zone, together with the proposed lease, the esthetics are

1 safeguarded in this matter. We do have a very real concern
2 that our pool, if there is any, is being drained. I don't
3 think there is any question about it, particularly with the
4 Standard Oil application coming in.

5 MR. CHAMPION: Thank you, Councilman. Let's hear
6 now from Assemblyman Chapel. He has been patient with us and
7 I appreciate it very much.

8 ASSEMBLYMAN CHAPEL: Thank you, Director of Finance
9 Champion, Controller Cranston and Lieutenant Governor Anderson.

10 (Portions of Assemblyman Chapel's remarks were
11 considered to be off the record, other portions were not
12 intelligible to reporter)

13 Now, here's the whole thing. I am really serious
14 about this. No one paid me. I have no reward, but I want
15 to tell you what I am here to tell. I am not like a lawyer;
16 I don't lack a foundation in this case. I was told this thing
17 had already been passed upon, but if you will hear me out a
18 few minutes and see why the State Lands Commission and the
19 State of California should postpone their decision, I don't have
20 to say that a week or two is long enough for me to find some
21 impartial oil experts.

22 Now, here's the thing, gentlemen. On the face of it,
23 item 13, they are asking for approval for the City of Los
24 Angeles apparently for the right to drill offshore, as the
25 case may be. I can't speak about oil jargon. Now going down
26 you will go down to the City of Santa Monica, an incorporated

1 independent city. I am not going into that -- they have
2 people here to speak for them; they are not my people anyway.

3 Now, the City of Venice is part of the City of
4 Los Angeles, incorporated. I have with me the original grant,
5 a photostat. Now, originally Venice was an independent city,
6 at least it wasn't part of Los Angeles -- whether it was
7 county territory or not -- and they had a grant, what we call
8 an ancient grant. If you don't mind, I use the words "ancient
9 grant" and that distinguishes it from modern grants with no
10 oil and gas. If you will let me use the words "ancient" and
11 "Modern" grants, you will know what I am talking about.

12 Venice acquired an ancient grant before they were
13 incorporated into the City of Los Angeles. Now, they have the
14 right to drill, explore and drill.

15 Now here you drop down, they act like a different
16 city, yet they too are part of the City of Los Angeles and
17 because the City of Los Angeles has the same grant, you can
18 drill for oil off Venice because they have an ancient grant.

19 Now, I am going to drop down to El Segundo. That's
20 an incorporated city, doesn't have any kind of grant because
21 they don't want it. I tell them "Get a modern grant." They
22 don't want it. "It's just the police problem; you can chase
23 the drunks off, otherwise the drunks stand out there. You
24 have tidelands rights -- with a boat you can put the bracelets
25 on them." But they don't want it. I said, "All right, no
26 grant." Believe me, that's El Segundo. Everybody wants to

1 get money and no one wants to pay taxes. To go down the row,
2 they don't have any. Now, the State can drill for oil and gas
3 and El Segundo can't do a thing about it. I also represent
4 El Segundo, also represent Los Angeles, a large part of it.

5 Now, we drop down -- and normally you look at the
6 map; I have a map here, it's an old one showing tideland grants
7 on it, but it doesn't have some of them. Dropping down, there
8 is a No Man's Land, which I think is Los Angeles territory,
9 between El Segundo and Manhattan Beach -- El Porto is county
10 territory. What does that mean? El Porto isn't a city, it's
11 county territory. Now, this is a curiosity that very few
12 people know. It is a little narrow strip that fronts on Santa
13 Monica Bay. It is an inlet of the Pacific. I am not playing
14 games with you. That's county territory. Now, whether the
15 county has the right to drill for oil and gas, I don't know...

16 MR. HORTIG: No, sir.

17 ASSEMBLYMAN CHAPEL: That means all the State has to
18 do is let a lease offshore and truly we need that money to
19 balance the budget, and the Director of Finance knows that.
20 This is one way to get it without an increase in taxes. I am
21 not kidding. Now, we get down there -- there you have that
22 nice little juicy inlet, that No Man's Land in Los Angeles
23 County and the State can get plenty of dough for drilling.
24 The geologists think and hope and believe there is an oil pool
25 out there. Last night I phoned three. I got them by surprise;
hey were already in bed.

1 Now, we drop down behind El Porto and there is Man-
2 hattan, and they only have police power. They have a grant.
3 Oil and gas, the State can have that there because it is re-
4 served to the State -- there is no question.

5 Down in Hermosa Beach, they curiously enough have
6 an ancient grant and every time they have an election they
7 have a vote on it. Anything of importance in Hermosa Beach,
8 they immediately divide against it. This is the way they
9 think. Now, Mr. Cranston spent a summer there and he didn't
10 politic or nothing. He made more friends sitting around with
11 that smile of his than I could in a dozen days passing out
12 literature with my ugly mug. Now, this may surprise you, but
13 this is true. I must have had ninety-five Republicans tell
14 me they were going to vote for Cranston because they like him.
15 Some people vote for me because they hate my opponent more
16 than me. Anyway, there's Hermosa Beach that has the legal
17 right to drill for oil but every time they vote on it, they
18 get turned off. Therefore, the State has the right. These
19 ancient grants are in trouble. In other words, it is the trust,
20 and the State is granting this subject to their exercising
21 their rights. The State has the right to say, "You didn't
22 drill; we can drill." I hope you don't, but if you don't be-
23 lieve you have that right, ask the Deputy Attorney General and
24 if he doesn't know there are plenty of men who serve as career
25 men who can give you advice.

26 Now you come down to Redondo Beach and they are trying

1 to put money in that harbor. Unfortunately, they can't pay
2 the interest on the revenue bonds. So what will happen there,
3 I don't know.

4 Now, going back to it again rapidly, Venice -- part
5 of the City of Los Angeles -- has an ancient right and can
6 drill for the oil if it is there. Any expert that comes in
7 and says there isn't oil there, isn't a real expert; a real
8 expert always says he might be wrong.

9 MR. CHAMPLON: I think, Assemblyman Chapel, that the
10 Commission is fairly well acquainted with the various grants
11 and the rights involved.

12 ASSEMBLYMAN CHAPEL: I will come to the point. You
13 realize the State has the right -- it is a clear and present
14 duty; and it may be a danger to some people, but it is a
15 clear and present duty to get money that we need darn bad for
16 that budget, because the people come in faster than we can
17 pay for them. Therefore, the State has the right beyond any
18 question to move in and drill.

19 Now, if you give Los Angeles the right to drill --
20 and I won't say you should or shouldn't -- there's one Coronado
21 geologist believes there is a big oil pool. They believe it
22 extends from the coast of Santa Monica, certainly Venice, clear
23 down to Hermosa Beach. You will have to admit even expert
24 geologists even only give you the best possible guess they can
25 give. That's all they can do. Even if an M.D. says you are
26 dying, and doesn't operate, you might recover. He might be

1 the most sincere M.D. in the world. You might recover from
2 a ruptured appendix; on the other hand, you might die on the
3 gurney if they operate.

4 I mention this to you -- the reason I am asking for
5 a postponement or continuance -- I have actually written asking
6 you to postpone the thing and I found out I didn't know what
7 I was talking about and Mr. Hortig was kind enough to tell me
8 you would hear me. I am only saying to you if Los Angeles gets
9 permission, they will pump and pump like the devil and what
10 oil will they pump? They will pump oil that belongs to the
11 State. I am not an oil man or a lawyer. I am not even an
12 attorney in fact. Now, I do know what I don't. I don't know
13 whether there is an oil pool over there or not and I don't
14 know whether when you drill you hit oil or water or you might
15 get sawdust. I am not here on the esthetics. I am here on the
16 economics. When Los Angeles drills, they are the first to
17 move out; when they start pumping like the devil, they will
18 pump State oil -- and the State needs money to balance the
19 budget. Mr. Champion knows the State needs the money. He
20 knows it very well and I know he agrees with me on that. Here
21 is an opportunity - - I hate to say anything against Los
22 Angeles; it is half of my district - - only I am asking if
23 you can give the State a continuance or give the people a
24 continuance or postponement long enough for me to try to find
25 some impartial oil men. I think I have to borrow them from
26 the university. If I can get some oil experts in here, if you

1 don't know it, all right. If you do, you can take action today.
2 If you have any technical doubts on this, then I can get oil
3 experts in here to say that there is a pool to the best of
4 their belief lying offshore all the way from Hermosa Beach; all
5 the way up the Bay. Whether they told the truth or not -- I
6 think they were telling me what they believe.

7 At this point, I ask you to either deny the thing --
8 I hate to deny Los Angeles anything, because they need money.
9 I know they need money, but so does the State and this is a
10 race to see who gets the dough; and if we give Los Angeles the
11 first chance, they will get the State's oil.

12 Have I presented my case so everybody understands it?

13 MR. CHAMPION: I think so, and I think we understand
14 you. Actually, we try to make an equitable division of the
15 proceeds. I think Mr. Hortig is prepared to deal with the
16 question you raised. You asked whether we know about this
17 pool, what we know about it, what its potential may be; also
18 what effect it might have on other cities' rights or State's
19 rights. Can you give a quick answer on that to Assemblyman
20 Chapel?

21 MR. HORTIG: Well, in summary, as to the areas in
22 which the State still has jurisdiction, these would not be
23 available under State law for any oil development unless and
24 until such lands are threatened by drainage from adjoining
25 lands. So whether the State lands would be developed would
26 depend upon the establishment of a successful operation by the

1 City of Los Angeles or by the other grantees.

2 ASSEMBLYMAN CHAPEL: I see your point. In giving
3 a permit, Los Angeles sticks somebody for the right to drill
4 and they have to explore, and then they have the right to come
5 back and pump oil...

6 MR. HORTIG: The State would...

7 MR. CHAMPION: As a matter of fact, according to our
8 counsel, the function we here perform is largely a ministerial
9 one and they pretty much have the right in law to proceed.

10 GOV. ANDERSON: I understood that they have taken
11 another look at that and we do have a little more authority.

12 ASSEMBLYMAN CHAPEL: I think you have more authority
13 than you think you have.

14 MR. CHAMPION: I'd like to hear from Mr. Shavelson,
15 who I think has researched this subject, and is an attorney
16 in fact.

17 ASSEMBLYMAN CHAPEL: I know I have been called a lot
18 of things behind my back, but, Mr. Champion, do you realize
19 there is a possibility -- not now, because there is a general
20 election coming up -- that Congress or the United States might
21 decide they want those tidelands back, so they can get the
22 money?

23 MR. CHAMPION: That question has been raised off
24 and on.

25 ASSEMBLYMAN CHAPEL: I have been told by very senior
26 Senators and the majority party -- I think it may be the

1 majority party a long time to come, I don't know; you never
2 can tell what the voters are going to do -- but I have been
3 told on the phone and in letters that they are considering,
4 that the Congress is considering the idea of getting these
5 tidelands back. I think the thing to do is, if anybody is
6 going to get oil, let's do it before anybody else gets it.
7 If I understand Hortig, let Los Angeles go in and if there is
8 oil, let the State move in.

9 MR. CHAMPION: That is true once it is established
10 that there would be drainage on lands over which the State has
11 jurisdiction,

12 ASSEMBLYMAN CHAPEL: That would give the County the
13 right at El P rto?

14 MR. HORTIG: No.

15 ASSEMBLYMAN CHAPEL: Then the State can do it.

16 MR. CRANSTON: Mr. Champion, I'd like to hear Mr.
17 Shavelson,

18 MR. SHAVELSON: Under Section 7058.5 of the Public
19 Resources Code, before issuing a lease such as this, the City
20 of Los Angeles would have to pass a resolution which would in-
21 clude a great deal of information, including the rental, the
22 royalty and other considerations, the term of the lease or
23 agreement, and the form of the lease or agreement; and that
24 resolution must, of course, be approved by the State Lands
25 Commission before the City can issue the lease.

26 Now, since 7058.5 does make reference to the form of

1 the lease and since the kind of restrictions we are talking
2 about today would be a part of the lease, then I think that
3 quite properly the State Lands Commission can consider the
4 sort of things it is today.

5 MR. CHAMPION: We look to the content, as well as
6 the form of the resolution?

7 MR. SHAVELSON: In my opinion, yes.

8 ASSEMBLYMAN CHAPEL: Can I ask the Chairman - - I
9 tried to lay it on the line. As near as I can find out, I
10 have the documents and I think there is no argument -- these
11 are old grants. Now, where do we stand now? Do we need to
12 change for the benefit of the State?

13 MR. CHAMPION: I think we need to hear from a number
14 of other witnesses.

15 ASSEMBLYMAN CHAPEL: I hope they will tell you
16 whether they are speaking of hope for reward or headlines.

17 MR. CHAMPION: I don't think they will feel any more
18 restricted in telling us what they think than you do. Thank
19 you very much.

20 ASSEMBLYMAN CHAPEL: Thank you.

21 MR. CHAMPION: In what order does the City of Los
22 Angeles wish to present its case.

23 MR. SPAULDING: Mr. Chairman, members of the Commis-
24 sion, let me say at the outset that I can't possibly hope to
25 compete with my predecessor up here. What I would like to do
26 with your indulgence is to introduce those dignitaries we have

1 here as witnesses in connection with our project in Santa
2 Monica Bay. Now, you have already heard from Councilman James
3 Harvey Brown, who had to leave for Council business. In
4 addition, we have Mr. Leonard Shane, President of the Recrea-
5 tion and Parks Commission to present the point of view of his
6 department. We have Mr. Bill Frederickson, who is the general
7 manager of that department, to describe how some of the revenues
8 from that project could be spent in the Venice area. In addi-
9 tion, we have Mr. Karl Ourston from the Planning Department,
10 primarily to answer the questions you might have, Governor
11 Anderson, in connection with the program. Finally, we have
12 Mr. Spencer L. Halverson, Deputy City Attorney, if there are
13 some legal questions to answer.

14 MR. CHAMPION: Are all the gentlemen involved in
15 agreement that they wish to have us proceed?

16 MR. SPAULDING: I think that is the case.

17 MR. CHAMPION: In the interest of time, I think
18 obviously what you are concerned about is convincing the Com-
19 mission to follow this course; and we might just raise the
20 questions that the Commission would like to raise and get the
21 answers to that. Perhaps that would be the most expeditious
22 way to proceed.

23 MR. SPAULDING: Whatever your wish is, Mr. Shane
24 does have a statement he wishes to present at the outset.

25 MR. CHAMPION: Fine. Let's have the statement.

26 When Governor Anderson leaves, Mr. Sieroty will ask questions

1 ex officio.

2 MR. SHANE: I am going to be extremely grateful that
3 the City of Los Angeles is presenting a united front today,
4 which is quite unusual.

5 GOV. ANDERSON: Does that indicate there is something
6 unusual about it?

7 MR. SHANE: The Board of Recreation and Parks, for
8 whom I am speaking today, is unanimous in support of the oil
9 program. There are many reasons. The reasons will be dealt
10 with -- economics and so forth; but we have some very definite
11 concerns and I understand those concerns are shared by others,
12 and those are the esthetic concern.

13 When Mr. Spaulding appeared before our board to get
14 the general approval, we asked the same esthetic questions
15 that are being asked by Governor Anderson and now by many
16 people. We received some assurances and it is on the basis of
17 those assurances that our board is supporting the program --
18 assurances of a minimum disturbance of the esthetic picture.
19 We asked some very pointed questions, for example, will this
20 exploration end in producing platforms, how many platforms,
21 and how far apart. The answers we received -- and Mr. Spaulding
22 can speak for himself -- he said to our board there were two
23 platforms, none closer than a mile in. We are talking about
24 platforms which are not of the old and ugly type, but would
25 constitute a minimum menace to navigation and a minimum violence
26 to the eye of the person observing the area.

1 We have some definite problems in connection with
2 the beach. We have some erosion problems, which are going to
3 require the expenditure of a great deal of capital funds.
4 This is where the money would go from the program -- it would
5 go back into a resource which we have discovered is in jeopardy.
6 We have had to build a number of groins. We have had to
7 protect the sand where erosion has taken place. We are, as
8 all government, extremely short of capital funds. Here, then,
9 is an area where we can acquire capital funds at minimum vio-
10 lence to the esthetics and presumably use this as a device
11 for the general benefit for those who would make use of the
12 facilities, which would otherwise be limited.

13 So on behalf of our department, I want to reiterate
14 we feel we have received sufficient assurance on the esthetics
15 and on that basis we feel we have full control of the problem.

16 MR. CHAMPION: Governor Anderson, since you have to
17 leave, do you want to ask any questions?

18 GOV. ANDERSON: First, Leonard, I know your concern
19 for esthetics, because I know when you were in the Inglewood
20 area before you moved into the valley, at that time you were as
21 concerned with maintaining the esthetics and beauty and clean-
22 ness as I am of the beach along there; and, of course, Los
23 Angeles is only a small portion of the Santa Monica Bay when
24 you take in El Segundo, Manhattan, and others. I know your
25 concern with the City of Los Angeles is not a new one. For
26 the many years I was in the Legislature representing this

1 district, there was the dumping of raw sewage and other things
2 which we felt didn't destroy but made a lot of people unhappy
3 going to what we contend have been the finest beaches in Cali-
4 fornia; but with what has happened, the sewage plants and
5 other plants, people don't want to go there any more. They
6 want to go to Newport or Balboa.

7 Now, I see an effort on the part of Los Angeles and
8 other cities to bring it up, so it is something to be proud
9 of, and I am very much in favor of what Los Angeles is doing,
10 and the other cities, along Playa del Rey. But now I am
11 afraid we are doing something that would undo what we want to
12 be done. I wonder if there is a breaking point of the money
13 coming out of this development -- if it would be worthwhile
14 at all. I tried to find out if this is good quality in this
15 proposed pool. Is there enough to make it worthwhile? It
16 has been told to me one of the reasons the City of Los Angeles
17 has been told they can't get bids is because there isn't
18 enough for the oil companies to do ocean floor drilling, but
19 they can do it cheaper by platforms or something. So maybe
20 we are not talking about enough oil to make it worthwhile to
21 go into an area and endanger our beaches and our waterfront.

22 I know you have been into this much deeper than I
23 have because this is your area and your concern. I wonder if
24 you have enough evidence to show that there is enough oil.
25 The quality isn't enough for ocean floor drilling. That's the
26 reason you are going for platforms, and maybe if this is the

1 case, shouldn't we not destroy the esthetics of our beaches?

2 MR. SHANE: Mr. Anderson, as recently as last Thurs-
3 day, Mr. Spaulding appeared before our Council. I asked the
4 same questions. I asked what it is worth in dollars and cents.
5 The estimates we received are presumably the same as you have
6 heard -- that nobody knows what range of dollars we were talk-
7 ing about. That was presented to us as so wide -- when you
8 are talking about a range between a couple of hundred thousand
9 dollars for exploration or a couple million dollars if you
10 hit the jackpot. The estimate is not worth anything at all.

11 I would agree if you had a minimum facility which
12 was not economically feasible in the true sense for the pro-
13 ducers, if it was marginal in that it required activities of
14 the type that we find repugnant, I would agree we would have
15 great reservations; but the picture as it is portrayed by
16 several people, people far more expert than I, is that there
17 is not a twilight zone in this. It is either going to work
18 or not going to work because of the magnitude of the thing.
19 If it is marginal, I would presume the exploratory projects
20 would be abandoned. On the other hand, if they were economically
21 successful and this would mean the economic return we are talk-
22 ing about, then you build in the safeguards.

23 MR. CHAMPION: May I ask at that point would the
24 City have any part in that determination, or would this be
25 entirely the determination of the oil company?

26 MR. SHANE: Are you talking about the esthetics?

1 MR. CHAMPION: No. At the point this decision was
2 being made, who finally would make that decision?

3 MR. SHANE: Let me answer by indirection. Since we
4 are planning -- and I want to say we have received assurances
5 as a board and therefore transmit assurances in the same way --
6 since we are planning to delimit the esthetics on this, we
7 are talking about two platforms in five linear miles. Marginal
8 oil production would not be able to sustain the distances and
9 esthetic limitations we are talking about; so in that sense
10 I believe it would be by the producer, who, if he could not
11 meet the restrictions because of the economic facts of life,
12 would have no choice. I would presume if he came back and
13 asked for a waiver of the esthetic requirements, he would be
14 denied.

15 MR. CHAMPION: But under the circumstances originally
16 granted, control passes from the City and the decision is made
17 on the basis of the producer on economics. The economics is
18 some future factor -- the City has no voice.

19 MR. SHANE: Yes, sir -- except that the esthetics
20 are delimited.

21 MR. CHAMPION: You can't change what you now propose.
22 You reach the agreement and from then on the company makes the
23 decision and there is no further entry of the City.

24 MR. SHANE: I looked at Mr. Spaulding, because he
25 would know if there was an angle under which you would do this.
26 The presumption is a safe one and that is, once the lease is

1 granted, it is the holder of the lease and, therefore, the
2 economics that would determine whether he would proceed with a
3 major operation. What I am saying -- if he has a marginal
4 operation which would not sustain the type of requirement that
5 would be imposed upon him from an esthetic standpoint, then
6 if he came in for relief, this would be denied; and I think
7 this answers the other side of it, because I do not believe
8 the City of Los Angeles is prepared to compromise the standards
9 we have put on the esthetic condition. The esthetic condition
10 was a condition precedent in this matter.

11 GOV. ANDERSON: You mentioned two platforms and a
12 great many wells. How many wells are you thinking about?

13 MR. SHANE: The question I asked, and I will relate
14 the answer because again you have the same question we have --
15 "What are we talking about in wells?" "Well, maybe we are
16 talking about up to twenty serviced from each platform."

17 GOV. ANDERSON: You are talking about not to exceed
18 forty wells?

19 MR. SHANE: I can't say that. Maybe Mr. Spaulding
20 should comment on this. I asked how many wells can a platform
21 handle; and since we are talking about two platforms, we
22 multiply it by two.

23 GOV. ANDERSON: In other words, you said you had
24 two platforms servicing a great many wells...

25 MR. SHANE: Yes, to me twenty is a great many.

26 GOV. ANDERSON: You also used a description of this

1 new esthetic platform and I was kind of interested because I
2 haven't seen one of these. The ones I am thinking of go up
3 many feet in the air with unsightly derricks. Tell me about
4 this new look.

5 MR. SHANE: I am not talking about a new esthetic
6 platform in that sense. I am talking about not some of the
7 ugly things we have seen elsewhere.

8 GOV. ANDERSON: How tall would these things stick
9 up there when they are cleaning and servicing them?

10 MR. SHANE: I would prefer more knowledgeable people
11 answer that. The question we asked was were these platforms
12 to be more acceptable than some I have seen; and having seen
13 them at close range from a boat, I think they were.

14 GOV. ANDERSON: You are aware that if they were being
15 serviced they would be sticking up one hundred fifty feet above
16 the water?

17 MR. SHANE: Some of the time.

18 GOV. ANDERSON: During the drilling and servicing
19 time; and they keep moving them. You drill one and drill
20 another, and so on. I am not too sure there would be much
21 time they wouldn't be up there.

22 MR. SHANE: It was represented to us that the tall
23 derrick would be there part of the time.

24 GOV. ANDERSON: Supposing you were to drill ten
25 wells from a particular site -- the minute you drill one and
26 finish that, you go to the other. The derrick is still up

1 there. Perhaps the time you got the last one finished, you
2 start servicing the others. I don't see much time when you
3 don't see the derrick up there.

4 MR. SHANE: I am way over my head in talking about
5 specific times.

6 MR. CHAMPION: Could Mr. Spaulding come forward and
7 stay with you and deal with these questions, where he has
8 supplemental information?

9 MR. SPAULDING: Your question relative to the care
10 of any platform I think might best be answered by Mr. Hortig,
11 who is much more familiar with these platforms than I am.
12 However, I do point out that our ordinance and lease forms do
13 provide for maximum flexibility -- the City maintaining approval
14 of all installations proposed by the operator of the property.

15 I think there is nothing terribly novel concerning
16 the nature or appearance of the platform. I think probably
17 you have seen most of these; but our efforts will be augmented
18 by those of the chief zone administrator in the City of Los
19 Angeles, as he does in the upper portions of the City, and it
20 is our hope that these platforms will develop a new appearance,
21 rather than the appearance of those you see offshore Santa
22 Barbara County.

23 GOV. ANDERSON: How can they? How can they be much
24 different? If you are going to have ten wells from each drill-
25 ing site and your derrick sits up there a hundred fifty or
26 hundred seventy-five feet above the water, your derrick keeps

1 moving around. How can you have some flexibility that says
2 it isn't going to be sitting up there?

3 MR. SPAULDING: I think it will appear different.
4 It will obviously be a platform, no matter how you disguise
5 it; but it will be a different environment.

6 GOV. ANDERSON: I don't understand that. I don't
7 know how you are going to disguise them.

8 MR. SPAULDING: The derrick sticking up over the
9 platform will be removed after the drilling.

10 GOV. ANDERSON: How long is it going to take you to
11 drill ten wells? You are going to have it up there continu-
12 ously during that time.

13 MR. SPAULDING: Probably a year and a half.

14 GOV. ANDERSON: To drill ten wells?

15 MR. SPAULDING: Yes.

16 GOV. ANDERSON: How long is it going to take to
17 service those wells, which also makes them stick up the same
18 height?

19 MR. SPAULDING: Little less?

20 MR. HORTIG: Little less.

21 GOV. ANDERSON: How often do they have to be up
22 there on ten wells during a year?

23 MR. SPAULDING: Your experience half the time?

24 MR. HORTIG: Less.

25 GOV. ANDERSON: Is it worth taking them up and down?

26 MR. HORTIG: They do.

1 GOV. ANDERSON: So for the first two years we are
2 going to have them up continuously; from that time on we are
3 going to have them up a little less than half the time.

4 MR. HORTIG: But at scattered times. In other
5 words, that half the time isn't six months continuously and
6 six months off.

7 GOV. ANDERSON: I'd also like to know how they can
8 make it look better. This is something that sounds good. The
9 one specific I have heard from Mr. Shane, i.e. thinks they ought
10 to be painted.

11 MR. SPAULDING: May I call Mr. Ourston to answer
12 some of these questions concerning esthetics, in that he has
13 had much more to do with the ordinance?

14 GOV. ANDERSON: Mr. Champion, I am going to have to
15 leave. I have to catch my plane.

16 MR. OURSTON: My name is Karl Ourston. I am with
17 the City Planning Department. I do not know that I have a
18 good answer to Mr. Anderson's question as to how they would
19 improve the appearance of these oil derricks. They are going
20 to be oil derricks and will look like them. I can only make
21 this comment -- The way this ordinance is prepared it gives
22 the authority and the duty to the Council to try to require
23 any new innovations that may developed toward the appearance
24 of this. Once the County has adopted an ordinance, as Mr.
25 Spaulding has said, the final authority to give the permit is
26 given to the zone administrator and he can require further

1 conditions.

2 MR. CHAMPION: When you determined the economics of
3 this field, would you be in a position to say, "In order to
4 proceed further you must have ocean floor completion," and
5 could you insist and maintain that position?

6 MR. OURSTON: Yes. The ordinance does permit the
7 Planning Commission to recommend and the Council to adopt, and
8 they are directed to do it -- that they require whatever
9 facilities are available and practicable to protect the ap-
10 pearance and the use of the ocean as it now is used. So if it
11 is determined that it is possible to use the ocean floor type
12 of operation on any standard at all of economics reasonably
13 possible, they can require this and are directed to do so; and
14 in their deliberations on the adoption of this ordinance, the
15 Commission went into a great deal of detail to see this was
16 their intended program they will follow. In each case where
17 this is established, the intention is to make this as little
18 visible or detrimental to the ocean as possible.

19 MR. CHAMPION: Are your people satisfied not only
20 with the general policy statement, but that there is a legal
21 sufficiency here that you know you can do this?

22 MR. OURSTON: We think so. We have the advice of
23 the City Attorney that we have the legal right -- when the
24 agreements will be drawn we will have the legal right; and I
25 know from our verbal statements they intend to do that.

26 MR. HORTIG: Might I interject, Mr. Champion, that

1 this is the basis for the staff recommendation for adoption
2 of the policy -- that such application is based upon complete
3 review and comprehensive plan enforceable by ordinance, and
4 this has been explored by the staff.

5 MR. OURSTON: I might say the staff, in going over
6 these matters in the ordinance, was of the conclusion that it
7 might be possible to include the ocean floor completion; but
8 in our studies we were assured this method was not always
9 feasible and we had to have other methods available; but it
10 is in our thought if this turns out this is the way it can be
11 done, this is the way we will do it.

12 MR. CHAMPION: This is what concerns me -- beyond
13 the economics of the situation; that you are looking at the
14 economics. The City has an effective voice? The City can say
15 at this point if it is dissatisfied, these must be ocean floor
16 completion?

17 MR. OURSTON: Yes, it can.

18 MR. CHAMPION: And that is not a subject on which
19 the oil company can make an independent decision?

20 MR. OURSTON: Oh, no. They are always subject to
21 approval.

22 MR. CRANSTON: The need for beaches was mentioned.

23 MR. OURSTON: Yes.

24 MR. CRANSTON: Is the money specifically allocated?

25 MR. OURSTON: The ordinance puts the control of the
26 money in our department all the way from the San Pedro breakwater

1 to the City limits. So it is their land and the income comes
2 to them. It is their jurisdiction. No other agency of the
3 City has the right to take the money away.

4 MR. CHAMPION: They don't have to spend it on the
5 beaches.

6 MR. OURSTON: That's true. They can use it for
7 other recreational, park purposes other than the beach. I
8 think public opinion would sway that.

9 MR. SIEROTY: I just wanted to follow up on the ques-
10 tion Mr. Champion asked. Originally your staff recommended
11 ocean floor completion wells be used and later the Commission
12 asked that an alternative statement be submitted. Now, your
13 statement here is that there will be control on the part of
14 the City after the lease is issued to an operator. Can you
15 show me in the ordinance where the City will retain that power?

16 MR. OURSTON: The ordinance provides that there shall
17 be an oil drilling district created of at least one thousand
18 acres of land and it is permissible to put in the reasonable
19 conditions in that oil drilling district that is deemed nec-
20 essary. The conversation has been that the conditions that
21 will be recommended, that is by the Commission, will include
22 that certain rights be given preliminarily as an exploratory
23 process and then additional rights imposed depending on what
24 comes out of that exploratory operation. So we have an open
25 field. By creating districts, we can put whatever controls
26 we want to put there. No one is aware at this moment, as I

1 understand it -- at least they haven't told us -- just exactly
2 what they will find there. So we are in a position to demand
3 no particular operation. So it is contemplated that the dis-
4 trict will say something to this effect: "We authorize you
5 to do an exploratory well to determine what is there under cer-
6 tain limited controls, with the requirement if wells are pro-
7 duced we will then determine the ultimate requirements for
8 the continued operation from that time on." These authorities
9 are permissible and have been used on shore operations up to
10 this moment. We have done this in several fields in the City.
11 I think you are acquainted with the Fox Hills property at
12 Westwood. There were some preliminary controls put on there
13 until oil was found there, and once it was discovered they had
14 a field, operation controls were put in to control the opera-
15 tion. They were required to obscure the operation from view;
16 they were required to put equipment in back of some of the
17 hills where possible; they were required to take the oil away
18 by trucking. And the same thing can be done here, and that is
19 our intended program. Does that answer your question?

20 MR. SIEROTY: Well, you understand the situation in
21 which the State Lands Commission finds itself now. This is
22 the first application for offshore drilling which isn't by
23 slant drilling in the Santa Monica area. Once the City of Los
24 Angeles begins to drill in that area, there will be pressures
25 by adjoining cities on the north and possibly on the south to
26 prevent drainage from their resources. We see a possible

1 series of platforms in Santa Monica Bay; every two miles or so
2 there could be several platforms there. We are at a cross-
3 roads now. You tell us the City of Los Angeles is retaining
4 some power here after you have issued the lease.

5 MR. OURSTON: A condition of the lease will be this
6 continuing authority.

7 MR. SIEROTY: I think the State Lands Commission --
8 I am speaking for Lieutenant Governor Anderson -- would feel
9 more secure about this if we knew that this would not set off
10 a series of platforms in Santa Monica Bay. You have talked
11 about the Fox Hills area having oil production completely
12 underground or completely landscaped, which is fine. I think
13 we are looking for the same kind of protection in the ocean.
14 Your residents spent a lot of money in building beautiful
15 homes overlooking the ocean; people come to the ocean for
16 weeks in the summertime. It is one of the real advantages of
17 Southern California.

18 We don't know how much money is there but it is not
19 inconceivable that for some insignificant amount of money we
20 could be destroying, or at least putting to some disadvantage,
21 our shoreline. That's why we have concern about it.

22 Is there any point where the State could retain some
23 control with the City of Los Angeles in determination of the
24 esthetic features of the facilities once we know the geologic
25 character of the lease area?

26 MR. OURSTON: First of all, I'd like to say this:

1 I think we have a number of rather dedicated employees in the
2 City Planning Department that want to protect that ocean as
3 well as it can be done. We have five zealous commissioners.
4 We have heard from the Recreation Commission, who have said
5 it is their mission to protect it. Our politicians would want
6 to protect it. So you have a body politic which will be very
7 concerned in Los Angeles as to whether we can establish a
8 precedent along our coastline, and we would be interested even
9 though it is outside the City.

10 MR. CHAMPION: The State would have control in most
11 of the areas.

12 MR. OURSTON: I agree with you. If you have some
13 basic controls you believe need to be imposed, I am sure the
14 City Planning Department will not be opposed to it. I don't
15 think it is necessary in view of all the people involved, our
16 stated intention of what we intend to do; but I see no objec-
17 tion to the State putting some basic requirements in their
18 approval if you think it is necessary.

19 MR. SIEROFF: Mr. Branch in his report points out
20 that a platform which is even a mile or two miles offshore is
21 clearly visible. It looks much closer than it is because of
22 some physical aspect of the ocean which brings things closer
23 than they would appear on land. So it is agreed that these
24 platforms will be visible from the shore.

25 MR. OURSTON: Well, the point I think you are making
26 indicates the further answer I am giving, because Doctor Branch

1 is aware of this and I made others aware of it. In the ordi-
2 nance providing submerged lands zone, there is a declaration
3 of fourteen requirements that must be reviewed by the Planning
4 Commission and the Council before they can approve the estab-
5 lishment of an oil drilling district on this land; and included
6 in those fourteen requirements is the knowledge that the ocean
7 seems to foreshorten a view and it makes things far away seem
8 much closer. These fourteen items have to each one be re-
9 viewed and be determined as not being applicable before a
10 finding can be made to recommend that there be an oil drilling
11 district established.

12 We think these fourteen requirements that are nec-
13 essary, plus what must be required in any of our oil drilling
14 districts, go as far as possible if there is a reasonable
15 possibility to do any oil drilling at all. We have gone as
16 far as we dare to if we have anything open for the operators
17 to go ahead with drilling. As a matter of fact, we were very
18 much of the opinion, as indicated by Mr. Anderson, if the oil
19 drilling was to be a limited operation we shouldn't risk any
20 detriment to our shoreline and beaches. Therefore, we thought
21 we were in a proper position to demand all the requirements
22 in the way of operation, even though this did outlaw some of
23 the less valuable operations entirely. Unless they could
24 discover enough oil to operate in the manner outlined in our
25 ordinance, there shouldn't be drilling.

26 MR. SIEROTY: I agree that the Mayor's letter to the

1 Commission relies very heavily on the fact of drainage as a
2 reason for drilling offshore.

3 MR. OURSTON: That's true.

4 MR. SIEROTY: Isn't it true you could slant drill
5 from the shoreline in order to prevent a certain amount of
6 drainage and perhaps go out a half mile and possibly a mile,
7 maybe even more depending on the geology of the situation;
8 but slant drilling can be done from the shoreline and can be
9 entirely below the surface or almost below the surface, and
10 would answer some of the arguments of the drainage question?

11 MR. OURSTON: I am relying, of course, on the others,
12 on what our oil men have told us; but this has been the basis
13 of our position. They tell us they feel the most sure idea
14 about oil under water is the Venice field extends out in the
15 ocean. There may be better pools, but they feel this is more
16 likely to exist. They tell me that field runs about three
17 thousand depth and in slant drilling you can't drill any more
18 than forty-five degrees. So this means that you can only
19 recover from the shore about three thousand feet out from the
20 shoreline. So naturally the slant drilling would have to
21 start back some distance and it is doubtful they could go
22 half mile out. From their estimates, the Venice field does
23 extend out much more than half a mile. This is the reason we
24 established the one mile minimum from the shore. We would
25 have liked to have said "You can't come up even as close as a
26 mile," but it wouldn't seem reasonable.

1 MR. SIEROTY: I'd like to suggest that we try to
 2 develop something with Mr. Ourston here and that the State be
 3 included in the decision as to how drilling ought to be pro-
 4 ceeded with, if it is going to prove economic.

5 MR. OURSTON: Just to outline the situation once
 6 more, because I think it is worthwhile, we are in this situa-
 7 tion: The City, of course, is in control of the land and must
 8 make the lease. The ones in control for the City are the
 9 Recreation and Parks Department. So the steps that are re-
 10 quired are, one, there would have to be a lease approved by
 11 the Recreation and Parks Department; because it is contemplated
 12 that is over the next three years, the Council must confirm
 13 that lease. If the lease is not satisfactory to the Council,
 14 then it has to go back and be revised or whatever. There has
 15 to be an oil drilling district approved by the Commission and
 16 it has to be approved or vetoed by the Council. Once the
 17 application is in, there has to be further review as to the
 18 actual operations.

19 The only point I am making here: There are three
 20 sets of proceedings involved with various people involved in
 21 it, and I again assure you they are very zealous to protect
 22 our ocean.

23 MR. CHAMPION: Let me ask you this: I am speaking
 24 for myself. I am quite sympathetic with the City's situation
 25 here and I would like to see this proceed as expeditiously as
 26 possible; but this question having been received and having

1 had an affirmative answer from you, I would like to know how
2 the other representatives of the City feel about this: Might
3 the device be used -- that is, when we come to the second
4 stage after the exploration -- that a resolution of the same
5 kind come back to the Lands Commission? If that could be
6 written somehow into the City's action, I think that Lieuten-
7 ant Governor Anderson would feel better protected in this
8 situation and I don't think it would cause any undue diffi-
9 culty at that time; but it would give the Commission, which
10 is reviewing its whole policy and its recommendation to the
11 Legislature as to controls in this area, an opportunity to
12 again look at it. I would welcome that opportunity. I
13 don't think we have it now by statute, but if the City is
14 willing to do this, I think it would make everybody concerned
15 with it feel better about it.

16 MR. OURSTON: I should bring out one point. It is
17 very easy to sit on our side of the picture and say this is
18 what we want to do and demand be done, but our premise is
19 if we have something that has too much procedure for the oil
20 operator, we can scare them away from bidding on it.

21 MR. CHAMPION: That's why I was looking for some
22 relatively simple procedure. If there could be this resolu-
23 tion before us in the form of a report, we would have a chance
24 to look at it; that would be the simplest way to do it.

25 MR. OURSTON: I know there is always a certain risk
26 has to be taken in any new innovation. I am wondering if the

1 City, after having here all the controls we have, might have
2 their approval, with the reservations in this Board -- based
3 on what we do and how we work in this first period and what
4 we discover, we then might adopt a policy as to further cities
5 and counties. I think we are now in such a nebulous position
6 as to what we need that perhaps a little experience on the
7 part of one well or series of wells would help you and every-
8 body else to know what to do.

9 MR. CHAMPION: I think we are very much interested
10 in the result of your exploration.

11 MR. SHANE: I listened to Mr. Sieroty's comments
12 and your suggestion very closely. I am not qualified to com-
13 ment on what the statutory position is, but as a practical
14 matter -- and I don't mean for expediency's sake, but as a
15 practical matter -- I am confident that the Parks Department
16 and Recreation Commission would be willing to consult with
17 your Commission as these administrative decisions are being
18 made. Whether or not the legal responsibility for the deci-
19 sion can be shared, I don't know; but I do know that there
20 probably would be no objection whatever with our board. I
21 would be prepared to recommend a resolution next Thursday.
22 I know we would be willing to consult with and keep you ad-
23 vised when these steps are made, as various approvals are
24 made. I can't visualize any objection to that, because we
25 do have a common purpose here.

26 MR. CHAMPION: Thank you, Mr. Shane. Mr. Cranston,

1 if you would withdraw your motion, I'd like to offer a motion,
2 and I'd like to know if it would be acceptable to handle the
3 matter before us in this way. The motion would be this --
4 that the Commission would herewith approve the resolution as
5 offered, contingent upon a discussion as to a technique by
6 which the State would again be consulted between Mr. Hortig
7 and the staff of the City and if there is one, such a device
8 is worked out, our approval would stand. Can we, in effect,
9 delegate this last responsibility to Mr. Hortig?

10 MR. SHAVELSON: Mr. Champion, I think that the main
11 tool that we have for reserving this authority if we can --
12 I am not sure whether we can -- lies in our power to approve
13 the form of the original lease, which is part of the resolu-
14 tion provided for, and to approve any amendments to that lease;
15 and since this resolution does include as part of it a speci-
16 fic lease form which we may want to use as our instrumentality
17 for implementing this ****

18 MR. CHAMPION: Should we write into the resolution
19 a reservation of the kind we have discussed here, if the City
20 were willing?

21 MR. SHAVELSON: A reservation of State authority --
22 is that what you mean?

23 MR. CHAMPION: Yes, on this particular subject.

24 MR. SHAVELSON: I am not sure. It is something our
25 office has not studied yet and I have my doubts; but I think
26 it could be done by inserting certain provisions within the

1 lease, which could not be changed without the approval of the
2 State Lands Commission. It might not be well to approve the
3 resolution at this time until it includes all of the terms
4 that you think are necessary. Rather than make it contingent,
5 I would think it would be better to postpone final approval.

6 MR. CHAMPION: What is the position of the City
7 with respect to this? Does this unduly discommode the City?
8 I'd like to ask Mr. Cranston if this general approach is
9 agreeable to him, so you will have the assurance the Commis-
10 sion is willing to proceed.

11 MR. CRANSTON: Yes, the general approach embodied
12 in Mr. Champion's motion is acceptable.

13 MR. CHAMPION: Would this unduly delay you or cause
14 irreparable damage?

15 MR. CRANSTON: It may be some help to the Commission
16 if I may point out one of the conditions of the lease. Sec-
17 tion A -- "Lessee shall comply with all laws of the State of
18 California and the City applicable...." I believe that this
19 does give the State a measure of control, or the City a measure
20 of control by statute or ordinance; and if we could have appro-
21 val based upon the provisions of the lease which are part of
22 the application and resolution, I think that provision would
23 allow by statute and ordinance sufficient control of not only
24 what happened during drilling but after production has been
25 obtained.

26 MR. CHAMPION: In other words, you think there is

1 going to be time during this process so if the Legislature
2 should determine in the next session they want to pass a new
3 law, the entering of this lease would not prevent future re-
4 strictions by the Legislature?

5 MR. SHAVELSON: I'd like to address two remarks.
6 First of all, this provision is limited to action by the Legis-
7 tature and not by the State Lands Commission; and, secondly, I
8 think perhaps -- although I believe that this language is prob-
9 ably sufficient for this purpose -- it could be made a little
10 more specific to cover later enactments occurring after the
11 date of the lease, so that we are absolutely certain of what
12 we are accomplishing.

13 MR. OURSTON: Of course it doesn't say "present law" --
14 it says "all laws."

15 MR. CHAMPION: I think we agree with you on this.
16 I think Mr. Shavelson is just saying he wants to be very sure
17 of things and with good reason; and I think there might be
18 ways in which you could be absolutely definite on what "all
19 laws" means.

20 ASSEMBLYMAN CHAPEL: Really, Mr. Champion, the
21 acoustics are very bad. It is very hard to hear. What we
22 would like to know -- I think everybody here would like to
23 know - - As I understand it, the Commission is now considering
24 issuing what we might call a provisional or reversionary permit,
25 I don't know how to put it, and you can put the words in my
26 mouth if you want to. It is hard to hear everything.

1 MR. CHAMPION: I think what you say is correct.

2 ASSEMBLYMAN CHAPEL: Are you about to vote? You
3 are at least considering voting on issuing -- and I am not
4 saying whether you are going to do it or not -- you are
5 considering issuing a provisional reversionary permit to
6 explore?

7 MR. CHAMPION: It goes beyond that. In other
8 words, it isn't just a permit to explore.

9 ASSEMBLYMAN CHAPEL: I know. It's saying we are
10 damned if we do, damned if we don't. They say in case of
11 doubt, don't. I am not saying that. I'd like to know what
12 the issue is. I think all of us would like to know what you
13 are voting on.

14 MR. CHAMPION: Before we vote there will be a very
15 definite statement.

16 ASSEMBLYMAN CHAPEL: Will somebody with a loud,
17 resonant voice read it? We all want to know who will suffer
18 from it, who will benefit.

19 MR. CHAMPION: My personal position, barring objec-
20 tions from other members of the Commission or representatives
21 of the City of Los Angeles, is to record ourselves as being
22 in favor of this approach of the City of Los Angeles and
23 asking them to work out the terms of the kind that have been
24 under discussion here for final presentation to us at the
25 next meeting, at which we will take action.

26 ASSEMBLYMAN CHAPEL: You have no doubt about your

1 authority to do this?

2 MR. CHAMPION: No.

3 ASSEMBLYMAN CHAPEL: I have confidence in you as
4 a Commission. I asked the Attorney General. They said,
5 "They are a quasi judicial body." You can darn near do what
6 you want. No one can mandamus you; they can't pull a writ
7 on you. It won't stand in court. I do think you have a lot
8 of power.

9 MR. CHAMPION: Nobody has challenged this Commission
10 on its authority.

11 MR. CRANSTON: I'd like the representatives of Los
12 Angeles to clarify this matter of timing now. With the under-
13 standing that there will be approval based upon the under-
14 standings that were reached today, is this satisfactory to
15 you to proceed in this fashion on this schedule -- which
16 means final approval at the next meeting?

17 MR. SPAULDING: Yes, I am willing to accept that
18 if there is positive assurance that there will be final
19 approval at the next scheduled meeting. This will mean a
20 further delay to us, but since we have waited thirty-five
21 years****

22 MR. CRANSTON: From what we have heard, you can
23 presume that this will be final approval at the next meeting.

24 MR. SPAULDING: Supposing Mr. Shavelson does not
25 feel that these conditions will mean further possible
26 postponement.

1 MR. CHAMPION: I can speak for myself. I agree
2 with Assemblyman Chapel that we have a great deal of authority,
3 but we don't expect to write new law for this. I'd like to
4 ask Mr. Shavelson if there is any obstacle to our doing this --
5 if what we are doing today is perfectly feasible.

6 MR. SHAVELSON: In what respect is that?

7 MR. CHAMPION: Writing an agreement which would give
8 the State a voice.

9 MR. SHAVELSON: No. The form of the lease is part
10 of the resolution and I think when our office approved this
11 lease, merely stating the State Lands Commission has the power
12 to approve it, there is no legal barrier; but if I am correct,
13 there was no specific study of the exact protections from an
14 esthetic standpoint. I think either Mr. Goldin or someone
15 else in our office may be able to recommend certain additional
16 features.

17 MR. CHAMPION: There is language in the lease which
18 is approved by the City and agreed to by the lessee. This in
19 itself creates a situation. It doesn't require anything be-
20 yond that, does it?

21 MR. SHAVELSON: Well, it has to be approved by the
22 State, too.

23 MR. CHAMPION: I am speaking for the State --
24 language which we would want.

25 MR. SHAVELSON: That is true. That is correct.

26 MR. CRANSTON: Just so the City will not be left in

1 doubt, I want to say I concur in the views Hale has expressed.
2 It is evident that the City is paying considerable attention
3 to the esthetic values. The State is considerably interested
4 in providing equal conditions in its leases. I will say that
5 I don't think that the State has done everything we really
6 should do in the matter of esthetics.

7 MR. CHAMPIC: As a matter of fact, the City seems
8 to be pioneering.

9 MR. CRANSTON: As I say, I think we will continue
10 to search for things we can do, and I as a member of the Com-
11 mission intend to do that.

12 MR. SIEROTY: May I express a viewpoint? What Mr.
13 Cranston has said I think is correct in a sense -- that the
14 City of Los Angeles has come up, I think, with some very good
15 ideas, which perhaps the State Lands Commission can encourage
16 other cities to adopt. Some proposals of Doctor Branch's
17 report should be circulated to all communities along the
18 coast which have any interest in oil development. We are
19 at a place where we are saying we expect the City of Los
20 Angeles to do more than the State is doing, but I think it is
21 not unreasonable at this time to say that is because we are
22 talking about an unusual area. We are talking about Santa
23 Monica Bay, where the greatest concentration of population is
24 in the State, and we have to take a little greater pains here
25 and it has to be done now -- because if we make a mistake, I
26 am afraid we will not be able to reverse it.

1 Mr. Champion, I notice that Robert Alexander is
2 here, who has been appointed by you to do some work in this
3 field. I am glad to see that he is here to help preserve the
4 beauty of our State, so we don't destroy what so many people
5 have come here for in the next years of our expected growth.
6 Our feeling is -- the Lieutenant Governor's feeling is that
7 we must take pains now to preserve the beauty of this Bay.

8 We are opposed to the installation of permanent
9 platforms which extrude above the ocean. If we can drill and
10 produce oil from sub-surface production facilities, fine.
11 I think that's the way we ought to look at this. I know that
12 was the original approach of the City of Los Angeles. I
13 think this proposed control which will remain in the State
14 will help the City and the State to develop a policy that
15 will help us preserve the beauty of this Bay, and perhaps we
16 can expand it to other areas.

17 MR. SPAULDING: May I ask one further question?
18 Will this conclude the esthetic characteristics of this
19 project? In other words, will your discussion at the next
20 meeting involve a legal discussion as to rights and powers,
21 for each side to reach an amicable agreement?

22 MR. CHAMPION: So far as I am concerned, I think
23 it is just a matter of implementing the kind of agreement we
24 reached today.

25 MR. SIROTY: There is one more question, not
26 related to esthetics, which I would like to bring up before

1 we close this. It has to do with the oil pricing. The City
2 of Los Angeles has a particular oil pricing mechanism. We
3 are now considering, will consider later, a pricing mechanism
4 for East Wilmington Field. It is my hope or suggestion that
5 the City's Lease would contain provisions that will be the
6 same as the State will adopt, so we don't have different
7 pricing mechanisms in different fields.

8 MR. SPAULDING: In answer, Mr. Sieroty, we are
9 happy to cooperate with the State in this matter and future
10 leases will contain the same conditions; and the lease which
11 we have at this time was patterned on your form, which is on
12 the average posted price.

13 MR. SIEROTY: I think you are referring to the
14 L.B.O.D. contract provisions.

15 MR. SPAULING: I am not acquainted with that L.B.O.D.
16 contract.

17 MR. CRANSTON: Anyway, he has answered the question
18 that they would conform with the approval.

19 MR. SIEROTY: In other words, our approval here
20 wouldn't tie you to that provision of the lease?

21 MR. SHAVELSON: It would have to be a new approval,
22 because in the approval of the resolution you approve the
23 form of the lease.

24 MR. CHAMPION: Well, if we approve a pricing policy
25 here today, which is our hope or intention, that would be be-
26 fore the City, as to whether or not they want to put that into

1 this lease; and our final action could be when that determina-
2 tion was before us.

3 MR. SHAVELSON: On the resolution.

4 MR. CHAMPION: I think it might be helpful if after
5 we act today you provide information to the City. It was
6 indicated by Mr. Sieroty at least that he would like to see
7 this incorporated in the lease when it comes up for final
8 approval.

9 MR. SPAULDING: If there is any modification of the
10 present lease before you, this would require modification by
11 the Recreation Department. So I would suggest that this new
12 provision, if there be one, be included in future leases and
13 not necessarily in this one, in the interest of saving addi-
14 tional time.

15 MR. CHAMPION: This is going to have to be back
16 before you anyway, if we work out this other language --
17 because it will be language in the lease form.

18 MR. SPAULDING: I am instructed that that is all
19 right.

20 MR. CHAMPION: Thank you very much.

21 DR. LEVINE: May I have forty-five seconds?

22 MR. CHAMPION: Is it on this matter?

23 DR. LEVINE: I am Doctor H. H. Levine. I serve on
24 the Oil Well Committee of the Venice Oil Field, and it is not
25 my intention to bring up any of the problems there, except
26 evidently I am the only person here who is speaking for the

1 residents of that area. We are engaged in a tremendous
2 struggle to correct the wrongs and the inadequacies of pre-
3 vious legislation relative to the Venice Oil Field. At the
4 present time this field is regarded by most people as the
5 most heinous oil operation in the oil industry.

6 MR. CHAMPION: That's really saying something.

7 DR. LEVINE: That's very correct, but I think if
8 you would read the records of the Planning Commission, which
9 is now studying this, you would agree with that on the basis
10 of the hardships of the people there. At any rate, the dis-
11 cussion on the esthetic properties here is extremely important
12 to all the people of that area and this has come out in pre-
13 vious hearings, on discussion of the submerged lands in West
14 Los Angeles; and we would greatly appreciate all this effort
15 in maintaining the beach as it is, especially around Venice
16 and the Marina del Rey, where all the boating is.

17 In closing, I believe one of the gentlemen men-
18 tioned something about onshore drilling in a slantwise
19 fashion into the Venice Oil Field, and I think this would be
20 fought vigorously by all residents in the area because they
21 are attempting to clear up all the oil wells and get rid of
22 them.

23 MR. CHAMPION: Thank you.

24 MR. HORTIG: Mr. Chairman, to complete the record
25 I believe it should be shown that a letter has been received
26 from Mr. William A. DeGroot of Playa del Rey, stating that

1 there should be no oil drilling development in connection with
2 the area presently under consideration for development by the
3 City of Los Angeles.

4 MR. CHAMPION: With those understandings, I don't
5 really think any formal action is required by the Commission
6 at this time. Is there any more to be said before we hopefully
7 pass on to the next subject? (No response) Thank you very
8 much for your cooperation. I think the City of Los Angeles
9 is to be complimented on its approach to this problem.

10 Next item is permits, easements, and rights-of-way
11 to be granted to public and other agencies at no fee, pursuant
12 to statute:

13 (a) State of California, Division of Highways --
14 Right-of-way slope easement, 3.88 acres sovereign land of
15 Russian River, Sonoma County.

16 (b) United States of America -- Ten-year renewal
17 of Permit P.R.C. 408.9, covering site of a pontoon pier and
18 mooring buoy operated by the Navy in San Diego Bay, San Diego
19 County, effective July 26, 1964 through July 25, 1974.

20 MR. CRANSTON: I move approval.

21 MR. CHAMPION: Second, and without objection stand
22 approved.

23 Permits, easements, leases, and rights-of-way issued
24 pursuant to statutes and established rental policies of the
25 Commission:

26 (a) Federal Aviation Agency -- Fifteen-year right-

1 of-way easement, 3.72 acres school lands, San Bernardino County,
2 for use as an access road to the Eagle Pass Beacon Facility.
3 Total rental \$100.

4 (b) Ed Filipelli -- Five-year grazing lease, 640
5 acres school lands, Lassen County, annual rental \$32.

6 (c) Bertha T. Needham -- Acceptance of quitclaim and
7 termination of Oil and Gas Lease P.R.C. 430.1, Rincon Oil
8 Field, Ventura County. (No longer economical to operate).

9 (d) Edward C. and Donald E. Orkfritz -- Termination
10 of lease P.R.C. 2177.1, Yolo County, effective June 17, 1964.

11 (e) Producing Properties, Inc., and The Howard
12 Corporation -- Assignment to Standard Oil Company of California,
13 Western Operations, Inc., of an undivided one-half interest in
14 Gas Leases P.R.C. 714.1 and P.R.C. 729.1, and Compensatory
15 Agreement T.I.F. No. 4, P.R.C. 3131.1, Sacramento and San
16 Joaquin counties.

17 (f) Signal Oil and Gas Company -- Issuance of new Oil
18 and Gas Leases pursuant to Section 6827 of the Public Resources
19 Code for terms of five years and for so long thereafter as oil
20 or gas is produced in paying quantities, or lessee shall be
21 conducting the producing, drilling, deepening, repairing, re-
22 drilling, or other necessary lease or well maintenance opera-
23 tions, in exchange for: (1) Lease P.R.C. 208.1, 1,920 acres
24 tide and submerged land, Elwood Field, Santa Barbara County;
25 (2) Lease P.R.C. 425.1, 835 acres tide and submerged land,
26 Huntington Beach Field, Orange County; (3) Lease P.R.C. 163.1,

1 640 acres tide and submerged land, Huntington Beach Field,
 2 Orange County; (4) Lease P.R.C. 426.1, 640 acres tide and sub-
 3 merged land, Huntington Beach Field, Orange County.

4 (g) Standard Oil Company of California -- Deferment
 5 of drilling requirements, Oil and Gas Lease P.R.C. 2199.1,
 6 Santa Barbara County, through April 4, 1965. To evaluate well
 7 recently drilled. Operations currently suspended awaiting a
 8 suitable drilling vessel in order to install production equip-
 9 ment and complete well.

10 (h) Phillips Petroleum Company -- Geophysical explora-
 11 tion permit, for period August 18 1964 through February 17,
 12 1965, tide and submerged lands Santa Barbara, Ventura, Los
 13 Angeles, Orange, and San Diego counties.

14 (i) Texaco Inc. -- Geophysical exploration permit
 15 for period September 1, 1964 through February 28, 1965, tide
 16 and submerged lands San Luis Obispo, Santa Barbara, Ventura,
 17 Los Angeles, Orange, and San Diego counties.

18 MR. CRANSTON: I move approval.

19 MR. CHAMPION: Second. Is there any question? (No
 20 response) Stand approved.

21 City of Long Beach approvals required pursuant to
 22 Chapter 29, 1956, First Extraordinary Session:

23 (a) Channel-2 Properties, Additional Fills, Berths
 24 83-87, Back Area (2nd phase) -- Estimated expenditures from
 25 August 18, 1964 to termination of \$1,272,000, with \$864,960
 26 (68%) estimated as subsidence costs.

1 (b) Channel-2 Properties, Raise Oil Facilities,
2 Berths 83-87, Back Area (2nd Phase) -- Estimated expenditures
3 from August 18, 1964 to termination of \$820,000, with \$172,200
4 (21%) estimated as subsidence costs.

5 MR. CRANSTON: I move approval of items (a) and (b).

6 MR. CHAMPION: Second. Is there any question? (No
7 response) Stand approved.

8 That brings us to the question of the presentation
9 of the crude oil pricing provisions for the Field Operator
10 Contract, Long Beach Unit, Wilmington Oil Field. We have this
11 policy before us so that the final conclusion can be in the
12 Field Operating Unit contracts to come before us at the next
13 meeting of the Commission.

14 MR. CRANSTON: Mr. Champion, in view of the fact that
15 the materials were received so late that we were unable to give
16 them adequate study prior to this meeting, and Governor Anderson
17 particularly made this point and is now absent, I wonder if
18 we can take some time now, take action approving subject to final
19 review at the next meeting.

20 MR. CHAMPION: I think it would always be subject to
21 final review when these things come before us.

22 MR. CRANSTON: My point is we might save time now
23 in the absence of full study and the absence of Glenn.

24 MR. CHAMPION: I think it would be well to have a
25 public statement as to what they are and on what we propose to
26 take action, because that would be the final action next month;

1 and while we have had endless hearings and discussions on this
2 matter, I think it is well that it be known publicly what the
3 matter is. Would you please outline the general provisions,
4 Mr. Hortig?

5 MR. HORTIG: Yes, Mr. Chairman.

6 MR. CHAMPION: I think going only to the critical
7 points -- that is our concern.

8 MR. CRANSTON: Yes, that's the only point.

9 MR. HORTIG: The recommendation for consideration
10 for inclusion in the contractor's agreement form to be provided
11 for Long Beach Unit Wilmington Oil Field development, as pro-
12 posed in the agenda item before the Commissions, would recom-
13 mend that the basic oil price which would be utilized would be
14 determined to be the highest of a series of measures, broad
15 measures, specifically as follows: The first test for price
16 would be the arithmetical average of the prices posted in the
17 Wilmington Field by continuing purchasers, continuing purchasers
18 being defined as those....

19 MR. CHAMPION: You are now outlining alternatives,
20 and the object of these alternatives would be the highest in
21 each case.

22 MR. HORTIG: The second would be the arithmetical
23 average of prices actually paid in the Wilmington field by
24 continuing purchasers, who again are defined as those who pur-
25 chase an average of a thousand barrels a day for the preceding
26 twelve months.

1 MR. CHAMPION: As I now understand it, enough pur-
2 chasers of such quantities have indicated their willingness,
3 whether or not they are parties to the contract, to provide
4 that information so we do have information for the actual
5 prices paid.

6 MR. HORTIG: I think the base is also broader than
7 purchasers not parties to the contract. Additionally, it
8 must be recognized now for the first time that inasmuch as
9 under Chapter 138, which will be in effect on Saturday of
10 this week, the offer of the field area in undivided interests
11 and a separate offer of the park parcel will result in a
12 larger number of prospective parties to the contract, who by
13 the contract will make these data available.

14 MR. CHAMPION: We have always intended to put it in
15 the lease that they make it available. In addition, we now
16 have indication from parties that even though they are not
17 parties to the contract, buyers in the field will make this
18 information available.

19 MR. HORTIG: This is correct; and, supplemented by
20 the larger number of parties to the contract, will give a
21 broader comparison.

22 The third is the arithmetical average of prices posted
23 by continuing purchasers in the Huntington Beach, Signal Hill
24 and Inglewood fields or such of them in which there is such
25 posting; and the fourth measure would be the arithmetical aver-
26 age paid by continuing purchasers in these same named other

1 fields other than Wilmington; and the measure for accounting
2 for the oil price under the contract to be the highest under
3 any of these determinations.

4 It is also recommended that in the event that none
5 of the four factors set forth in the foregoing can be deter-
6 mined by reason of there not being continuing purchasers in
7 all of the fields named and no postings in all of the fields
8 named, including the Wilmington Field, then in that event
9 it would be determined that the criterion for pricing would
10 be the fair market value at the point of delivery -- deter-
11 mined by all available information, such as prices paid in
12 other oil fields and prices paid by the contractors and any
13 other organizations who would make this data available to
14 the Commission, as has already been offered to the Commission.

15 MR. CHAMPION: That saving clause really leaves it
16 up to the Commission to determine what the price should be.

17 MR. HORTIG: To determine the fair market value;
18 that is correct -- which is the price criterion which is
19 specified for State leases in the Public Resources Code
20 under the jurisdiction of the Commission.

21 MR. CHAMPION: This is a fairly complicated matter
22 I recognize, but I think most of you have been through most
23 of the argument, so I think any questions about it can prob-
24 ably go to a few key points. First, is there anybody from
25 the audience who has any questions about this or how it
26 would operate? Yes, Mr. Scott.

1 MR. SCOTT: I am L. E. Scott from Pauley Petroleum.
2 First, Mr. Chairman, I have not seen this language except
3 just to hear it read to me over the phone, because it was not
4 available. We object to the pricing clause as it is now
5 recommended, but out of fairness to the staff I would like to
6 say it is far better than what we started with, because you
7 have now recognized for the first time in this Commission the
8 actual paid price for crude as one of the criteria.

9 MR. CHAMPION: We are now for the first time in
10 agreement that we shall have access to that price.

11 MR. SCOTT: Whatever it has been, I think in two
12 years we have accomplished something. Specifically, we
13 understand it takes (1) the highest price -- the highest
14 average of the posted prices, or (2) it is the average of the
15 actual price paid, whichever is highest -- that is, in Wil-
16 mington or the other three fields. This is important because
17 we are against the use of posted prices.

18 Here in this one you say you have the average of
19 the posted prices. If there are some posted, if it is the
20 highest. Now, the next thing you say if it is the average of
21 the highest prices paid. What you are saying, you are now
22 giving credit and agreeing that a posted price might not be
23 paid and a so-called fictitious price is more important than
24 the price actually paid for the oil in the grade produced.

25 MR. CHAMPION: We just say whichever one of those
26 is highest. In other words, if the actual price figure is

1 highest, that's the price to be paid.

2 MR. SCOTT: We have always recommended that the
3 State get the highest available price for its crude. Now, if
4 you don't want the highest price paid, then we ask that you
5 get the average of the highest prices paid. You are now say-
6 ing -- you are determining that the posted price is not the
7 actual price paid.

8 MR. CHAMPION: If the average of the posted prices
9 is higher, we will take that price; if the average of the
10 prices paid is higher, we will take that price. Heads we win,
11 tails you lose.

12 MR. SCOTT: What you are actually doing is vesting
13 control in the price postings. There are only four postings.
14 There might be four purchasers or continuing purchasers.

15 MR. CHAMPION: If that's the case, that is the
16 price we take, Mr. Scott.

17 MR. SCOTT: Then all we ask is that you go to the
18 highest price actually paid. This is the true market value
19 of the crude. We are not asking average. We recommend that
20 you get the highest price paid in the field or any of the
21 three fields surrounding it. You have now stated for the
22 first time that you can determine the true market value of
23 this crude. Now, a posted price that is not paid is nothing
24 more than somebody's ability to manipulate the price of the
25 crude and not pay out a nickel.

26 MR. HORTIG: I think the answer, if I may interpose,

1 Mr. Scott, with reference to posted prices, is that the refer-
2 ence is to the arithmetic average of the posted price in the
3 field by continuing purchasers; a continuing purchaser buying
4 a thousand barrels a day for twelve months is going to have to
5 pay this price in accordance with the posting. If there is no
6 posted price which is admissible under those circumstances....

7 MR. SCOTT: You mean by one sale a year of 365,000
8 barrels, or are you going to have it one thousand barrels a
9 day for every day?

10 MR. HORTIG: The proposed definition of a continuing
11 purchaser is one who, during a specified twelve-month period,
12 has averaged at least one thousand barrels of oil per day in
13 the oil field in question.

14 MR. SCOTT: What that says -- If January 1, 1965
15 or '66 you buy 365,000 barrels at a price, say, of two fifty
16 a barrel....

17 MR. CHAMPION: You have averaged that.

18 MR. SCOTT: Then you proceed to raise the price.
19 You have what you want and you proceed to raise the price that
20 you are not going to buy at; you have no intention of paying
21 that price but you raise it up to two seventy-five -- post
22 it and not buy.

23 MR. CHAMPION: For that quantity?

24 MR. SCOTT: The quantity doesn't matter. You have
25 bought your quantity. Then you raise your posting. You are
26 eliminating competition on a fictitious price posting you have

1 no intention to pay. You get ready to buy again, so you post
2 and buy what you want and kick it up. You can manipulate down
3 also and there is no answer to it.

4 MR. CRANSTON: Is there any way that that 1(a) could
5 be amended to say "arithmetical average of the prices posted
6 and paid"?

7 MR. SCOTT: That would be very fine.

8 MR. HORTIG: Actually, that is in there and that
9 language might clarify it. Inasmuch as it would be the price
10 posted by continuing purchasers, they have to purchase and
11 they have to pay; but it can be clarified in the manner you
12 suggested.

13 MR. SCOTT: I will be very happy if you will make
14 it posted and paid by continuing purchasers.

15 MR. CRANSTON: I so move it be amended that way.

16 MR. CHAMPION: I haven't done any thinking about it.
17 I am not sure I have absorbed the whole thing, and I want to
18 ask Mr. Shavelson before I do: Mr. Shavelson, does this
19 language in any way change the method or intent in which it
20 was hoped we would operate in the original contract?

21 MR. SHAVELSON: I think that Mr. Scott's observation
22 is well taken. I think a person could buy one large quantity
23 of oil and qualify as a continuing purchaser.

24 MR. CHAMPION: And this was not our intention.

25 MR. SHAVELSON: If it is our intention that there
26 be actual purchases at the posted price by a continuing

1 purchaser, I think it might be a good change.

2 MR. GRANSTON: That certainly should be our
3 intention.

4 MR. CHAMPION: Then I think we are all agreed.

5 MR. SHAVELSON: I think this is a good suggestion.

6 MR. SCOTT: Mr. Champion, our position has always
7 been that the State get the highest price for its crude.

8 MR. CHAMPION: Let me formalize Mr. Cranston's
9 motion by seconding it.

10 MR. SIEROTY: I'll have to discuss this. I didn't
11 hear the entire agreement. It seems to me you may have
12 answered it already -- that under (b) we are taking advantage
13 of the prices paid and under (a) we are trying to determine
14 just what the posted prices are, regardless of whether they
15 are paid or not. Let us assume that the prices posted, whether
16 paid or not, are higher by some chance than the actual average
17 of what is paid. As a matter of fact, Jim Wanvig at one time
18 stated it was his understanding that if we looked into it we
19 might find that the actual prices paid may be lower than the
20 actual posted price. Therefore, it might be to our advantage
21 to have the posted price, whether paid for or not. Maybe you
22 can answer that.

23 MR. SCOTT: Number one, if you are talking about
24 prices posted and not paid, can you honor that? Then you are
25 permitting one company, or whoever posts the highest price,
26 to manipulate the price and not put out one nickel or take any

1 risk. You are putting your competitors under an unfair and
2 ~~bad disadvantage~~. You cannot buy oil and have to pay a higher
3 price that these people, though they are posting, are not
4 actually paying for it. Let's use the highest posted price
5 that is actually paid. Then this will give us a true market
6 value. Let's get the State the highest dollar for its crude.
7 But to accept it the way it is written the first time, the
8 State is condoning and setting up the method in which price
9 manipulation can go on.

10 MR. CHAMPION: Wasn't that just amended, however?

11 MR. SCOTT: Well, Mr. Sieroty asked me this question.
12 The way you amended it, Mr. Champion, answered many of my
13 questions.

14 The next thing -- Frank, when you sell off this oil
15 under sealed bid and where we as an independent refinery have
16 to buy that oil, it will always be at a premium price, equal
17 to a premium price. Is that going to be considered as a price
18 actually paid and put into the averages?

19 MR. HORTIG: Under the present recommendations,
20 where sold in sufficient quantities to qualify anyone as a
21 continuing purchaser -- in other words, at the rate of a
22 thousand barrels a day -- then it would be included in the
23 evaluation of the price.

24 MR. SCOTT: If I have to pay five cents a barrel
25 more for the crude on sell-off, then that would go into the
26 price actually paid down there and my competitors would have

1 to pay that?

2 MR. CHAMPION: If you buy a thousand barrels a day.

3 MR. SCOTT: Yes, I am assuming we would be continu-
4 ing purchasers.

5 The fourth thing -- We come back to the present
6 State lease form that you are using up and down the coast.
7 We again urge this Commission that whatever provision you adopt
8 for this field, you also adopt and re-do your lease form and
9 put your same pricing provision in there, because we cannot
10 compete with these other leases where we have to pay the
11 highest price available in the nearest field and have large
12 quantities of oil going to the market at a cheaper price.

13 MR. CHAMPION: This really is another question,
14 which we should deal with as another question. Its applica-
15 tion to other leases we have to consider as a separate question
16 because there are a good many additional matters involved.

17 MR. SCOTT: We urge that again and urged it before.
18 If you use this price here, let's change it and put it in all
19 the leases, because we can't as an independent purchaser
20 compete. I understand a lot of them will argue the language
21 is the same. It isn't the same because under the lease form
22 the highest price must be paid in the field.

23 MR. CHAMPION: We certainly would want to hear
24 everyone but I will ask the other members of the Commission.
25 I think it would certainly be proper to place such a matter
26 on the agenda to consider future leases.

1 MR. CRANSTON: Yes

2 MR. CHAMPION: So that matter will be discussed as
3 a separate matter after we have determined the policy here.

4 MR. SCOTT: To sum up what I have urged this Com-
5 mission today: We urge, number one, that you adopt the high-
6 est price actually paid; two, if you do not go to highest
7 price actually paid, we urge you adopt the average of the
8 highest prices actually paid. You seem to want to go to the
9 postings as another device and the way you have revised it...

10 MR. CHAMPION: ... it could never be used for mani-
11 pulation downwards without change, but could be used for
12 manipulation upwards without the change.

13 MR. HORTIG: I think it should be pointed out since
14 it was posted price, it was certainly the intent to convey
15 posted and paid for a thousand barrels. This language "and
16 paid" is really only by way of clarification; and there is no
17 method for qualifying into consideration any posted price for
18 which the price is not actually paid.

19 MR. CHAMPION: Well, the whole sense of our motion
20 was to make absolutely sure that was fastened down.

21 MR. SCOTT: In L.B.O.D. did you have posted on a
22 thirty-day basis rather than an annual basis?

23 MR. HORTIG: At the moment I don't recall. Mr.
24 Shavelson?

25 MR. SHAVELSON: Continuing purchaser is defined in
26 the contract, to my recollection, as one who had purchased a

1 thousand barrels a day for the preceding twelve-month period.

2 MR. SCOTT: But didn't someone have to do it every
3 thirty days? This would be another change where you may
4 use this posted price, where they purchase each month.

5 MR. CHAMPION: I think we are in agreement on what
6 we want to accomplish here and there isn't any real difference
7 as to whatever can be worked out to make sure this cannot be
8 manipulated upward by posting -- which, in fact, is a ficti-
9 tious posting.

10 MR. SIEROTY: I don't know why we should object to
11 it being manipulated upward.

12 MR. CHAMPION: May I say why? I'd hate to leave
13 that rhetorical question in the air. This would subject any-
14 one bidding on the lease to the threat of that manipulation,
15 to the great detriment of the lease.

16 MR. SIEROTY: I think there may still be questions
17 that we can discuss at the next meeting, as to whether it is
18 the average price or highest price; but I think the import-
19 ance of this recommendation, and I am very pleased to see it,
20 is that we are incorporating a test of actual market activity.
21 We are getting information as a result of the lease, as a con-
22 dition of the lease. The oil companies who are successful
23 bidders will furnish us information and also some who may not
24 even bid or may be unsuccessful bidders will furnish us infor-
25 mation as to not only their purchases in Wilmington Field but
26 all other fields. It is the first time we are going to have

1 information on which we can determine what the going value
2 of oil is. I think that is a fine step forward and I think
3 we should try to incorporate this as we go forward into other
4 leases.

5 MR. CHAMPION: Is there any further comment on the
6 matter? (No response) What is the pleasure of the Commission
7 on this matter?

8 MR. GRANSTON: I move the recommendation of the
9 staff that they be instructed to prepare bid provisions for
10 this purpose for final action at our next meeting, and this
11 does permit further review by members if they wish it.

12 MR. CHAMPION: That is correct, with the understanding
13 and in order to meet our schedule we must take final
14 action at the September meeting of the Lands Commission on
15 both the operating agreement and the unit agreement as drafted
16 subsequent to the passage of the new legislation.

17 MR. SCOTT: When do you anticipate that this bid
18 will be opened? What is your schedule, Mr. Champion? When
19 would the industry be expected to have to bid on East
20 Wilmington?

21 MR. CHAMPION: Mr. Hortig, what is that schedule?

22 MR. SCOTT: And how long will we be permitted after
23 the call for bids?

24 MR. CHAMPION: Well, Long Beach will actually launch
25 them. Perhaps I should call on them, presuming the final
26 action of the Commission on a form and presuming Long Beach

1 agreement -- and in the absence of comment from Long Beach
2 today I assume the pricing schedule is agreeable.

3 MR. LINGLE: Opening bids (in conjunction with dis-
4 cussion with Mr. Hortig) early in December.

5 MR. CHAMPION: What about the bidding time?

6 MR. LINGLE: Sixty days.

7 MR. CHAMPION: In other words, it would be out to
8 bid...

9 MR. LINGLE: As soon after you approve it and our
10 City Council approves it as possible -- which, if it is
11 September 24th, then we approximate it as sixty days, which
12 would take care of October and November -- opening of bids in
13 November, and execution as soon thereafter as possible.

14 MR. CHAMPION: Mr. Lingle, do you now see any ob-
15 stacles to that, presuming Lands Commission approval on
16 September 24th?

17 MR. LINGLE: No, assuming Lands Commission approval
18 on September 24th, we still have these documents to prepare.
19 Hopefully, optimistically and everything else, I think the
20 time table is good one to shoot at, but if I were your counsel
21 I wouldn't warrant we would make it because where we are work-
22 ing between ourselves, everything is hunky-dory. We haven't
23 hit the hard places in life.

24 MR. CHAMPION: You mean there are not now discus-
25 sions going back and forth?

26 MR. LINGLE: Between the City and the State there

1 are discussions. For the first time we are asking for com-
2 ments from industry; and if we find we have painted ourselves
3 into a corner, we may have to take care of it.

4 MR. CHAMPION: I know Long Beach is cooperative on
5 this. If it requires that we have special meetings, it may
6 be that we will have one or more special meetings in order to
7 do it. This is the schedule everybody has agreed is desir-
8 able and, in fact, we promised to the Legislature. We will
9 try to adhere to it as close as possible.

10 MR. SIEROTY: Mr. Chairman, I wonder if we might
11 hear from Mrs. Crowley? She came from Long Beach.

12 MR. CHAMPION: This is the matter that was not on
13 the agenda? The matter that was before us at the last meeting?

14 MR. HORTIG: It was not on the agenda at the last
15 meeting, either.

16 MR. CHAMPION: What is the status of the matter
17 before us?

18 MR. HORTIG: The status of the matter -- if it is
19 still the Navy landing problem, which I presume it is, Mrs.
20 Crowley -- the matter had been reviewed by staff counsel and
21 by the City Attorney of Long Beach, with the conclusion that
22 no applications and no approvals were required from the Lands
23 Commission for the City of Long Beach's consideration for
24 modification of an existing facility identified as the Navy
25 landing. In view of the citizen presentations which were
26 made at the last meeting, particularly as brought in by Mrs.

1 Crowley, we referred the question to the Office of the
2 Attorney General for confirmation or correction that the
3 Lands Commission is not, in fact, properly involved. We have
4 not had the report back from the Attorney General's Office,
5 but this will be the third legal report on this subject mat-
6 ter when it is received.

7 MR. CHAMPION: What is the status of the matter as
8 far as the Attorney General's Office is concerned?

9 MR. SHAVELSON: Deputy General Graves in our office
10 is working on it. To my knowledge no draft has been submitted
11 yet. I would hope it would be ready in the next couple weeks.

12 MR. CHAMPION: Mrs. Crowley, with the knowledge
13 that we have a highly uncertain, if any, legal position in
14 this matter, we will be glad to hear -- I hope very briefly --
15 what you have to say and will file it for future reference,
16 because we really have nothing before us.

17 MR. SIEROTY: Well, Mr. Champion, before Mrs. Crowley
18 begins, I just ran across this Attorney General's statement.
19 It happens to be in a report we will probably adopt later on.
20 It says that the State Lands Commission is vested with juris-
21 diction and authority remains in the State as to granted tide-
22 lands, this jurisdiction and authority including the power to
23 investigate violation of trust conditions and in cooperation
24 with the Attorney General to institute proceedings to enforce
25 compliance if there is misappropriation of revenue in the
26 area. If that is the area in which Mrs. Crowley's interests

1 are, there is no question of our authority.

2 MR. CHAMPION: Of course there is no question of
3 our ability to institute proceedings.

4 MR. HORTIG: Of course, this is why the matter was
5 referred to the Attorney General.

6 MR. CHAMPION: Mrs. Crowley?

7 MRS. CROWLEY: Honorable Mr. Champion and members
8 of the Committee, I wish to speak again about the proposed
9 conversion to private interests of the Long Beach Navy landing.
10 I am speaking for the Citizens Committee for the Preservation
11 of Public Beaches and Parks, and my letter is signed by Mrs.
12 Charlene D. Roberts, Chairman.

13 MR. CHAMPION: How long a statement is this?

14 MRS. CROWLEY: It's a very brief one. Please,
15 however, don't close your mind.

16 MR. CHAMPION: I assure you my mind is not closed.

17 MRS. CROWLEY: The City of Long Beach has demon-
18 strated abuse of discretion in the management of its tidelands
19 trust in asking for bids for private operation of the Navy
20 landing as a small boat marina. The Navy landing was built
21 on the Long Beach tidelands with tidelands trust oil money
22 at a cost of five million and a half dollars. The State Lands
23 Commission, it will be recalled, authorized the expenditure
24 of this five and one-half million dollars from the tidelands
25 trust oil account; voters of Long Beach overwhelmingly approved
26 the five and one-half million expenditure of tidelands oil

1 money for construction of the Navy landing, which was dedi-
2 cated a scant three years ago.

3 Both the Lands Commission and the voters were told
4 by the City of Long Beach, and I quote "General requirements
5 for a satisfactory Navy landing were established by the Com-
6 mandant of the 11th Naval District after exhaustive research
7 and numerous conferences with the representatives of the
8 forces afloat." Clearly, the City of Long Beach justified
9 its request to build the tidelands trust facility on the tida-
10 lands with five and one-half million dollars of our tidelands
11 trust revenue on the ground that it was a public matter,
12 which it was.

13 Now, we see the City in a different and quite pos-
14 sibly true light, acknowledging that it overestimated the
15 need for the landing facility and stubbornly insisting on
16 turning over not only the tidelands area itself, but a five
17 and one-half million capital improvement, paid for by tide-
18 lands trust money to private operators for private use and
19 private gain. This, indeed, is a flagrant attempt to use
20 the tidelands trust for something other than the purposes em-
21 bodied in the granting statute.

22 The danger of precedent is imminent. If the City
23 of Long Beach succeeds in this gambit, what is there from
24 preventing the City from leasing to private interests the
25 Long Beach Marina, constructed at a cost of eighteen million
26 dollars of tidelands trust money, which belonged to all of

1 the people of the State of California; or what will prevent
2 the City of Long Beach from leasing to private operators all
3 the marinas yet to be built with tidelands trust money, like
4 the splendid marina which is incorporated in the plans for
5 Pier J? It is our contention that a precedent established in
6 Long Beach can become a statewide precedent and that this same
7 abuse could deny public rights of all of the tidelands in the
8 entire State.

9 It is our belief that the State Lands Commission has
10 the necessary authority to halt this abuse of the tidelands
11 trust by the City of Long Beach. We are aware of the Navy's
12 declaration that it needs today only a small portion of the
13 landing for official use. In view of this, we would gladly see
14 the Navy harbor put to use as a small craft marina, but only
15 if it is operated by the City of Long Beach as trustee, for
16 the benefit of all of the people of the State of California
17 whose money was used to construct this facility.

18 The City of Long Beach in its stubborn insistence
19 that it has the unilateral right to lease the Navy landing to
20 private operators not only is violating the intent and spirit
21 of the granting statute, but is additionally guilty of abuse
22 of discretion in managing its tidelands trust.

23 Accordingly, we demand that this Honorable Commission
24 act without delay in halting this Long Beach gift of the use
25 of public property, something which is prohibited even to the
26 Legislature by the Constitution of the State of California.

1 Respectfully submitted, Citizens Committee for the Preserva-
2 tion of Public Beaches and Parks, and signed by Charlene D.
3 Roberts, Chairman of the Subcommittee for the Long Beach
4 Navy Landing.

5 MR. CHAMPION: Thank you, Mrs. Crowley. I would
6 assume from what Mr. Shavelson stated that this item will be
7 on our next agenda and we will have a report at that time;
8 and I think at that time we will have enough information from
9 our counsel to determine our course of action. I hope so.

10 MRS. CROWLEY: We had a number of other things we
11 wanted to talk about here, but in view of your kindness to us
12 and permitting us, a non-agenda item, to be on -- we will hold
13 our fire, perhaps until the next time.

14 MR. CHAMPION: I would very much appreciate if
15 that could be done because we will have the relevant material
16 before us. We will be glad to hear from you at that time if
17 you have other things to say.

18 MRS. CROWLEY: Mr. Champion, may I please say this --
19 that I was most happy to read this article about the oil
20 agency expanding for the Long Beach job. I suppose it is a
21 press report from your office, perhaps, in which the State
22 Lands Division and Mr. Hortig and his staff are going to have
23 some money and people to do things with. I think the history
24 of our entire tidelands area in Long Beach might have been
25 different had this agency been expanded as it needed to have
26 been long since. Let me congratulate you on this, and may I

1 request at this time just one little tiny bit, one percent of
2 your budget, be spent for the study of land usage. We would
3 like to have some agency in this State where we could go, where
4 we feel there is an abuse of our tideland lands in money, in
5 oil.

6 MR. CHAMPION: You are before the body charged with
7 that responsibility and we will endeavor to live up to that.
8 Mr. Hortig may even want to speak to you about speaking before
9 the Legislature.

10 MRS. CROWLEY: I will be very glad to support you
11 in any way, as well as our group.

12 MR. SIEROTY: Mrs. Crowley, at what stage is this
13 proposed lease of the Navy landing? Have bids come in? What
14 is the situation?

15 MRS. CROWLEY: The bids were opened on August 3rd.
16 There were four bids. We have attempted to analyze them but
17 the City, of course, has required them for study a great deal
18 of the time.

19 MR. SIEROTY: Is it true the City has not yet
20 awarded the bid?

21 MRS. CROWLEY: I understand the bids have been com-
22 pleted by the Engineering Department and I think in cases of
23 this kind it is rather normal for the Engineering Department
24 to write a letter to the Council recommending the acceptance
25 of one bid. I believe that this prerogative is to be taken
26 over now by the City management and I believe, because we

1 stirred them up a little bit down there, that a case for the
2 City is being prepared now. We also think we have a very good
3 case. We think we have a case that should interest the
4 Auditor General, the Lands Commission, the Attorney General,
5 and possibly the Franchise Board and the Secretary of State.

6 MR. CHAMPION: Mr. Sieroty, we are most anxious to
7 finish our agenda. Do you think we could defer this until
8 next time, until we have the other material before us?

9 MR. SIEROTY: Fine.

10 MR. CHAMPION: Thank you.

11 We will move on to the next item, which is land sales
12 and exchanges. All items here presented have been reviewed by
13 all State agencies having a land acquisition program and, un-
14 less otherwise indicated, no interest has been reported by
15 those agencies in the lands proposed for sale or exchange.

16 (a) Authorization for sale to State of California,
17 Public Works Board, without advertising, of 80 acres vacant
18 school land, Contra Costa County, at appraised cash price of
19 \$15,620; continuation in good standing of Public Works Board
20 application to purchase E $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 25, Township 1
21 North, Range 1 West, M.D.M., awaiting clarification under
22 pending litigation.

23 (b) Authorization for publication of notice of in-
24 tent to exchange certain State sovereign lands for certain
25 privately owned lands in San Francisco Bay; Alameda, Santa
26 Clara, and San Mateo counties; in order to settle and confirm

1 the title of the State and to establish the boundaries
2 thereof; as authorized by Chapter 1885/1959.

3 MR. CRANSTON: I move approval.

4 MR. CHAMPION: Second. Is there any objection?

5 (No response) Stand approved.

6 Mineral extraction, and oil and gas leases:

7 (a) Authorization for Executive Officer to issue to
8 Pacific Cement & Aggregates, Inc., the only bidder, a sand
9 extraction lease for ten acres tide and submerged lands in
10 Monterey Bay, Monterey County, on sliding-scale royalty basis,
11 as bid, starting at a minimum of \$0.06 per cubic yard.

12 (b) Award to the highest qualified bidder, Signal
13 Oil and Gas Company, of Parcel 20A, Oil and Gas Lease, 3,420
14 acres of tide and submerged lands, Orange County, for cash-
15 bonus payment of \$3,651,000.

16 (c) Authorization for Executive Officer to offer
17 Parcel 23, 5,175 acres tide and submerged lands, Ventura
18 County, for oil and gas lease.

19 MR. CRANSTON: I move approval.

20 MR. CHAMPION: Second. Is there any question?

21 (No response) Stand approved.

22 Proposed legal actions: (a) Authorization for
23 Executive Officer to inform the Office of the Attorney General
24 that a nominal consideration of \$1 may be accepted from the
25 United States for condemnation of the residual interest of
26 the State in certain filled tide and submerged lands in

1 settlement of case No. 63-1137-CC Civil, United States District
2 Court, Southern District of California.

3 MR. CRANSTON: Move approval.

4 MR. CHAMPION: Second. Any question? (No response)

5 Stands approved.

6 Administration: (a) Delegation of authority to the
7 Executive Officer to rescind lease offers when applicant does
8 not execute and return the lease to the Commission and pay
9 the first annual rental or other consideration within thirty
10 days, as required by statute.

11 Does that require a new delegation?

12 MR. HORTIG: Yes, sir; it does.

13 MR. CHAMPION: Let's handle that separately.

14 MR. CRANSTON: I move that delegation be granted.

15 MR. CHAMPION: Second. Any question? (No response)

16 Stands approved.

17 (b) Confirmation of transactions consummated by the
18 Executive Officer pursuant to authority confirmed by the Com-
19 mission at its meeting on October 5, 1959.

20 MR. CRANSTON: Move to confirm.

21 MR. CHAMPION: Second. Is there any question? (No
22 response) Stand approved.

23 Legislative review of grants of tide and submerged
24 lands, pursuant to H. R. 512/1963. What is the situation on
25 this?

26 MR. HORTIG: As the Commission will recall, House

1 Resolution 512 was adopted in the 1963 session, directing
2 reference to an interim committee for study with respect to
3 various grants of tide and submerged lands. The Assembly
4 Interim Committee on Natural Resources, Planning and Public
5 Works has now scheduled hearings pursuant to this resolution
6 on September 17th and 18th, and they requested a report from
7 the State Lands Division on behalf of the State Lands Commis-
8 sion and, similarly, from the Department of Finance, with
9 respect to the historical outline, a resumé of the problems
10 that have resulted from the piecemeal legislative granting
11 program heretofore in effect, and recommendations for con-
12 sideration as to possible legislative amendment and clarifi-
13 cation of the situation to be reported by the Assembly Com-
14 mittee at the beginning of the 1965 session of the Legisla-
15 ture. Therefore, it is recommended here in the report for
16 the Commission that the Executive Officer be authorized to
17 report to the Assembly Committee. The report is to give the
18 committee an outline historical review of the legislative,
19 executive, and judicial actions that have culminated in the
20 current State position with respect to tide and submerged
21 lands. The report is also to present the following general
22 and specific recommendations for consideration as to legis-
23 lative implementation -- These are listed on page 46-A of
24 the agenda before you, gentlemen.

25 General: 1. Placement of a moratorium on the issu-
26 ance of new grants until such time as the various studies being

1 conducted by the executive and legislative branches of State
2 government are completed and appropriate legislative control
3 specifications have been adopted.

4 2. Amendment of existing granting statutes and
5 statutes related to tide and submerged land development and
6 incorporation in future granting acts of the requirement that
7 the lands thereunder granted be developed in accordance with
8 approved planning concepts, the former to be done where the
9 lands so granted are not yet developed or where development
10 has not proceeded beyond a critical point.

11 3. Assignment to the State Lands Commission of
12 approval responsibility for programs for the development of
13 granted lands.

14 4. Determination of priorities, on granted lands
15 having a mineral reservation to the State, between mineral
16 and surface development when the two are not in immediate
17 conflict in point of space or time.

18 5. Determination of the criteria by which the State
19 will share in revenues gained by grantees as a result of
20 operations on lands granted without a mineral reservation to
21 the State.

22 Specific:

23 1. Precise specification of the effective date of
24 grants.

25 2. Specification of the State Lands Commission's
26 responsibility to determine compliance of grantees with the

1 terms of granting statutes.

2 3. Definition of the criteria for compliance with
3 a granting statute.

4 4. Specification of guidelines for allowable ex-
5 penditures of trust funds by a grantee.

6 These items have also been reviewed with your
7 Chief Deputy.

8 MR. CHAMPION: I might say the Office of Planning
9 is working on this matter and these recommendations jibe with
10 their recommendations as to what areas the Committee ought
11 to concern itself. These don't spell out specifically what
12 we may later be called upon to spell out, that is, what we
13 recommend as the criteria, for example, or what we recommend
14 as to the policies on revenue. What it does attempt to do
15 is to tell the Legislature where we think things need to be
16 done, and at a later date I would hope the staff would present
17 to the Commission specifics that the Legislature agrees to
18 take care of.

19 MR. HORTIG: This would be the intent of the staff,
20 as a result of having participated in the hearings September
21 17th or 18th.

22 MR. CHAMPION: Are there any further suggestions
23 or comments by the Commission?

24 MR. CRANSTON: No action is required.

25 MR. CHAMPION: I think we need to authorize the
26 Executive Officer.

1 MR. CRANSTON: I so move.

2 MR. CHAMPION: Second. Any question? (No response)
3 Stands approved.

4 Determination of Commission policy with respect to
5 development of petroleum resources in California tide and
6 submerged lands under the jurisdiction of the State Lands
7 Commission.

8 MR. HORTIG: This item, Mr. Chairman, was of course,
9 the item precedent to the consideration of a Commission policy
10 with respect to development of granted tide and submerged
11 lands and is the essential element in the total review
12 specifically requested by Governor Anderson, so that both
13 granted and ungranted tideland policy could be determined.

14 MR. CHAMPION: Would it cause any difficulty, in
15 view of our disposal of the Santa Monica matter, to put
16 items 11 and 12 over to the September agenda? Does that
17 cause anybody in the audience any inconvenience? (No
18 response) Is that satisfactory to you?

19 MR. CRANSTON: Yes.

20 MR. HORTIG: That will be the order. The next
21 Commission meeting -- Thursday, September 24th, in Los
22 Angeles. This is getting to be a habit.

23 MR. HORTIG: This, of course, results because of
24 the fact that this meeting today was scheduled for Sacramento.

25 MR. CHAMPION: Is there any other question to come
26 before the Commission today?

1 MR. HORTIG: Yes, the very last page of your
2 agenda, Mr. Chairman, Calendar Item 27.

3 MR. CHAMPION: This is an item we could do without.
4 The item is:

5 Retirement of Frank W. Porter, Administrative
6 Service Officer.

7 Mr. Frank W. Porter will retire from State service
8 at the end of this month after more than twenty years, most
9 of which have been with the State Lands Division.

10 His knowledge, experience, and energies will be
11 sorely missed and not easily replaced.

12 His work could always be characterized by that
13 often-used cliché, "... in the best interests of the State."

14 He has relieved the Executive and the operating
15 staff of a myriad of administrative details to a degree
16 beyond that which would be expected normally. His continuous
17 efforts to establish practical administrative procedures have
18 result^{ed} in much improved efficiency for this agency.

19 In his own words, he always "tried to produce the
20 best possible 'package'".

21 It is recommended that the Commission join the
22 staff in thanking Frank W. Porter for his past efforts on
23 their behalf and in wishing him the best of health and
24 happiness for the future.

25 I think that is a mild statement of the feelings
26 of the Commission.

1 MR. HORTIG: May we have a vote of the Commission
2 on it for the record?

3 MR. CRANSTON: I move adoption, with real thanks
4 to him for all that he has done.

5 MR. CHAMPION: That would be the order of the Com-
6 mission -- that Frank not only have the thanks he knows each
7 of us would want to give him personally, but it is official
8 with the Commission.

9 We stand adjourned.

10
11 ADJOURNED 12:45 P.M.

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CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing ninety-one pages contain a full, true and correct transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION at Los Angeles, California, on August 18, 1964.

Dated: Los Angeles, California, August 28, 1964.

Louise H. Lillico