

STATE OF CALIFORNIA

Minutes of the Meeting of the
State Lands Commission
Sacramento, California

APPEARANCES

Commissioners Present:

Kenneth Cory, State Controller, Chairman
Eetty Jo Smith, Staff Counsel, alternate
for Mervyn M. Dymally, Lieutenant Governor,
Commissioner
Sid McCausland, Deputy Director of Finance,
alternate for Roy M. Bell, Director of
Finance, Commissioner

NOTE: Mr. Cory left the meeting at 1:20 p.m.
during Calendar Item #27.

Staff Members in Attendance:

William F. Northrop, Executive Officer
R. S. Golden, Assistant Executive Officer
Robert C. Hight, Chief Counsel
Mathew Brady, Staff Counsel
James F. Trout, Manager, Land Operations
D. J. Everitts, Manager, Energy and Mineral
Resources Development
A. D. Willard, Supervising Mineral Resources
Engineer
Charles Priddy, Senior Mineral Resources
Engineer
Donald L. Hoagland, Associate Governmental
Program Analyst
W. M. Thompson, Manager, Long Beach Operations
Brian Sway, Legislative Coordinator
Diane Jones, Secretary

Representing the Office of the Attorney General:

Jan Stevens, Assistant Attorney General

Representing the City of Long Beach:

Harold Lingle, Deputy City Attorney

Re Minute Item 19 - Determination on the Reasonable Market
Value for Royalty Gas Produced Under State
Leases in Northern California

Jack F. Fallin, Jr., Attorney, representing
Pacific Gas & Electric Company
Silvia Siegel, Executive Director, Toward
Utility Rate Normalization
Earl Radford, Attorney, representing Shell Oil
Company

Re Minute Item 19 - (Contd)

Leonard Snader, Deputy City Attorney,
representing Thomas O'Connor, City
Attorney of the City and County of San
Francisco

Greville L. Way, Chief Gas Engineer,
California Public Utilities Commission
Peter Arth, Jr., Attorney, California Public
Utilities Commission
Robert Peckham, Coordinator, Producing
Contracts and Titles, Chevron U.S.A., Inc.

Henry F. Lippett, II, Consultant

Re Minute Item 27 - Two Permits to Prospect for Geothermal
Resources

Clyde Kuhn, in pro per, speaking as member
of scientific community
Frank Comforti, Attorney, representing
Geothermal Kinetics, Inc.

MINUTES OF THE STATE LANDS COMMISSION
MEETING OF
SEPTEMBER 29, 1977

The regular meeting of the State Lands Commission was called to order at 10:03 a.m. in Room 2170, State Capitol, Sacramento, by Chairman Kenneth Cory, State Controller. Other members present included Commission-alternate Sid McCausland, representing Commissioner Roy M. Bell; and Commission-alternate Betty Jo Smith, representing Commissioner Mervyn M. Dymally.

The minutes of the meeting of August 25, 1977, were approved as written.

EXECUTIVE OFFICER'S REPORT

Mr. William F. Northrop advised that AJR 54, sponsored by Assemblyman Kapiloff, memorializes the President of the United States to take certain actions with regard to the problems the State is experiencing concerning the pricing of crude oil produced in the State. It also concerns the fact that the State faces a real threat, due to the treatment of imported Alaskan crude, wherein production from the Wilmington Oil Field could be totally uneconomic by end of 1979 or early 1980 and the State's production could be zero. Mr. Northrop indicated the staff of the Energy Commission and the Director of the Department of Consumer Affairs are supportive of this action. In addition, he advised that a meeting has been arranged by Chairman Cory with the Department of Water Resources and State Colleges and Universities to formulate a program to allow the State to continue producing the oil. He indicated he would report to the Commission as this matter progresses.

With regard to the potential problems the Commission may be facing with regard to the Motion Picture Development Council, Mr. McCausland asked the staff what type of response it had received to date from this Council in reply to the Division's inquiries. Mr. James F. Trout, Manager, Land Operations, stated that the basic response from the Council had been that the Legislature had given all authority over all State lands to the Motion Picture Development Council and would the Commission please get out of the way. Mr. McCausland indicated that that was not a satisfactory response. Mr. Trout agreed and indicated the people at Marriot Hotel pier at Santa Barbara are also concerned. PRC 2954.

During the discussion of the Long Beach Unit assessment appeal before the Los Angeles Assessment Appeals Board, Mr. McCausland asked the staff where the Commission is at this time. Mr.

Northrop replied that the Commission is before the Appeals Board. Mr. McCausland requested that when it is set for hearing the staff brief the Commission on the State's case before it proceeds, if time allows.

During his report on tanker, tanker terminal safety operations regulations, Mr. Northrop respectfully suggested that the Commission circulate the draft regulations to industry, environmental interests and the general public and hold public hearings to receive comments on such rules and regulations within 30 days of their circulation.

Upon motion duly made and carried, the Commission by a vote of 3-0 approved the following resolution:

THE COMMISSION AUTHORIZED THE EXECUTIVE OFFICER TO CIRCULATE THE DRAFT REGULATIONS ON TANKER, TANKER TERMINAL SAFETY OPERATIONS TO INDUSTRY, ENVIRONMENTAL INTERESTS AND THE GENERAL PUBLIC AND HOLD PUBLIC HEARINGS TO RECEIVE COMMENTS ON SUCH RULES AND REGULATIONS WITHIN 30 DAYS OF THEIR CIRCULATION. W 30001

At the conclusion of his report, Mr. Northrop advised that Calendar Items 18 and 20 were removed from the Calendar.

Mr. Northrop's complete written statement is attached as Exhibit "A".

ASSISTANT EXECUTIVE OFFICER'S REPORT

Assistant Executive Officer R. S. Golden's written report is attached as Exhibit "B".

Attachments: Exhibits "A" and "B"

EXHIBIT "A"

EXECUTIVE OFFICER'S REPORT

BY

WILLIAM F. NORTHROP
EXECUTIVE OFFICER

SEPTEMBER 29, 1977

LEGISLATIVE HEARINGS

THIS WEEK WE RECEIVED NOTICE OF THREE LEGISLATIVE OVERSIGHT HEARINGS INVOLVING THE STATE LANDS COMMISSION.

THE FIRST HEARING, ON OCTOBER 13, WILL BE AN ASSEMBLY RESOURCE, LAND USE, AND ENERGY COMMITTEE HEARING REVIEWING THE STATE'S ROLE IN RESOLVING BOUNDARY DISPUTES INVOLVING TIDE AND SUBMERGED LANDS.

SENATOR NEJEDLY HAS CALLED FOR TWO HEARINGS BY HIS SENATE NATURAL RESOURCES AND WILDLIFE COMMITTEE. THE FIRST OF THESE SENATE HEARINGS ENTITLED MANAGEMENT OF THE STATE'S SOVEREIGN AND GRANTED LANDS -- INLAND LAKES AND STREAMS WILL BE HELD NOVEMBER 3 AT SOUTH LAKE TAHOE.

A SECOND HEARING BY THE SENATE RESOURCES AND WILDLIFE COMMITTEE WILL FOCUS ON TITLE PROBLEMS IN THE DELTA.

DIVISION STAFF HAS BEGUN TO WORK WITH BOTH COMMITTEES IN PREPARATION FOR THESE HEARINGS. AS SOON AS FINAL ARRANGEMENTS HAVE BEEN COMPLETED, YOU WILL BE NOTIFIED.

MOTION PICTURE DEVELOPMENT COUNCIL

WE HAVE THE POTENTIAL FOR SOME PROBLEMS OVER THE USE OF STATE LAND FOR FILMING MOTION PICTURES. SECTION 14998 OF THE GOVERNMENT CODE PROVIDES FOR THE MOTION PICTURE DEVELOPMENT COUNCIL TO ISSUE PERMITS AND ESTABLISH FEES TO BE PAID FOR THE USE OF ALL STATE-OWNED PROPERTY FOR THE PURPOSE OF MAKING COMMERCIAL MOTION

PICTURES. CHAPTER 1395 OF 1976 ADDED A NEW SECTION WHICH REQUIRES THE APPROVAL OF THE DIRECTOR OF GENERAL SERVICES, WITH THE CONCURRENCE OF THE STATE AGENCY CONCERNED, ON AN APPLICATION BY THE MOTION PICTURE DEVELOPMENT COUNCIL FOR THE USE OF STATE-OWNED PROPERTY. ALL FEES COLLECTED ARE TO BE DEPOSITED IN THE MOTION PICTURE DEVELOPMENT COUNCIL ACCOUNT WITHIN THE SPECIAL DEPOSIT FUND FOR REIMBURSEMENT TO THE OPERATING DEPARTMENTS FOR THEIR ACTUAL ADDITIONAL COSTS AND FOR THE SUPPORT OF THE COUNCIL. COUNCIL ACTIVITIES ARE SUCH THAT LITTLE, IF ANY, LEAD TIME IS PROVIDED FOR STATE AGENCIES TO RESPOND. REQUESTS ARE USUALLY FOR FILMING TO BE ACCOMPLISHED WITHIN A FEW WEEKS OF NOTICE. THE LAW, AS PASSED, MAY PRE-EMPT THE STATE LANDS COMMISSION'S AUTHORITY AND RESPONSIBILITY, BOTH AS TO USES OF PROPERTY UNDER ITS JURISDICTION AND FOR COLLECTING A FAIR RENTAL.

RESPONSE FROM THE COUNCIL TO DIVISION CONCERNS HAS BEEN LESS THAN SATISFACTORY AND FILMING HAS PROCEEDED ON THE GAVIOTA PIER WITHOUT COMMISSION APPROVAL. CURRENT EFFORTS ARE UNDERWAY TO FILM THE PROPOSED DESTRUCTION OF THE MARRIOTT HOTEL PIER AT SANTA BARBARA WITHOUT AMPLE TIME FOR STATE LANDS COMMISSION TO FORMALLY ACT UPON THE MATTER. IT MAY BE NECESSARY TO ASK YOU TO TAKE FORMAL ACTION IF THE COMMISSION IS TO MAINTAIN CONTROL OVER LANDS UNDER ITS JURISDICTION. I WILL KEEP YOU ADVISED.

LONG BEACH UNIT ASSESSMENT APPEAL

AT ITS AUGUST MEETING, THE COMMISSION AUTHORIZED THE EXECUTIVE OFFICER AND THE OFFICE OF THE ATTORNEY GENERAL TO TAKE

APPROPRIATE ACTION TO EFFECT THE TIMELY FILING OF AN APPLICATION FOR REDUCTION IN THE 1977 ASSESSMENT OF THE LONG BEACH UNIT, WITH THE LOS ANGELES COUNTY ASSESSMENT APPEALS BOARDS. PARTICIPANTS OWNING 99 PERCENT OF THE PARTICIPATION SHARES IN THE LONG BEACH UNIT, INCLUDING ALL WHO OWN SHARES IN THE OFFSHORE PORTION, AUTHORIZED THE STATE LANDS DIVISION TO ACT AS THEIR AGENT FOR THE PURPOSE OF SIGNING THE APPLICATION AND APPEARING BEFORE THE ASSESSMENT APPEALS BOARDS IN THIS MATTER. ON SEPTEMBER 15, THE DIVISION FILED THE APPLICATION FOR REDUCTION OF THE 1977 ASSESSMENT.

THE OFFSHORE CONTRACTORS ARE AUTHORIZED BY CONTRACT TO PASS AN AVERAGE OF 96-1/4 PERCENT OF THEIR PROPERTY AND MINING RIGHTS TAXES THROUGH THEIR NET PROFITS ACCOUNTS SO THAT, IN EFFECT, STATE TIDELAND OIL REVENUE IS REDUCED BY THAT AMOUNT. THE ASSESSOR INCREASED THE LONG BEACH UNIT ASSESSMENT BY 40 PERCENT IN 1977, BASED ON THE ASSESSOR'S OPINION OF FAIR MARKET VALUE, WHICH IS A PROJECTION OF FUTURE REVENUE. THE DIVISION ASSERTS THERE IS NO BASIS IN FACT FOR A 40 PERCENT INCREASE IN FUTURE REVENUE, IN VIEW OF CONTINUING FEDERAL PRICE CONTROLS ON CRUDE OIL, AND CONSIDERING THAT NEARLY \$100 MILLION OF VALUE WAS EXTRACTED FROM THE LONG BEACH UNIT SINCE THE 1976 VALUATION WAS MADE.

SANTA MONICA BAY OIL SPILL

W 9020

AS THE COMMISSIONERS ARE ALREADY AWARE, AN ESTIMATED 20 BARRELS OF CRUDE OIL SPILLED ASHORE AT SANTA MONICA SOUTH OF THE SANTA MONICA PIER ON TUESDAY, SEPTEMBER 20. THE OIL WAS SPILLED FROM THE TANKER "MANHATTAN" WHILE UNLOADING CRUDE OIL CONSIGNED TO CHEVRON, U.S.A.'S EL SEGUNDO REFINERY. CHEVRON SHIPPING REPRESENTATIVES HAVE REPORTED THAT BALLAST WAS ACCIDENTALLY PUMPED INTO THE NO. 6 STARBOARD TANK, EITHER THROUGH A VALVE THAT SHOULD NOT HAVE BEEN OPENED OR THROUGH A CLOSED VALVE THAT LEAKED, THUS OVERFILLING THE TANK, CAUSING OIL TO OVERFLOW FROM AN OPEN ULLAGE PORT. THE OIL THEN RAN OVER THE TOP OF THE GUNWALE BASE AND DOWN THE SIDE OF THE SHIP. SCUPPERS WERE PLUGGED.

CLEANUP OPERATIONS WERE CONDUCTED BY CONTRACT CREWS UNDER THE DIRECTION OF CHEVRON AND THE U. S. COAST GUARD AND PAID FOR BY CHEVRON. I PERSONALLY INSPECTED THE BEACH ON THE AFTERNOON OF THURSDAY THE 22ND. A FEW HALF-DOLLAR SIZE PARTICLES OF TARRY SEEP OIL REMAINED ON THE BEACH. THERE WAS NO OIL THAT I COULD OBSERVE ON THE ROCKS.

CHEVRON HAD NOTIFIED THE U. S. COAST GUARD AND THE DEPARTMENT OF FISH AND GAME OF THE TIME OF THE SPILL. HOWEVER, DUE TO A FAILURE IN WHAT WAS THOUGHT TO BE A FAIL-SAFE REPORTING SYSTEM, THE STATE LANDS DIVISION WAS NOT NOTIFIED BY EITHER CHEVRON, AS THE STATE'S LESSEE, OR BY THE OFFICE OF EMERGENCY SERVICES WARNING CENTER UNDER THE STATE OIL SPILL CONTINGENCY PLAN.

WE HAVE CONTACTED THE OES AND CLARIFIED THE NATURE OF THE COMMISSION'S INTEREST AND NEED TO KNOW. I AM CURRENTLY IN THE PROCESS OF PREPARING A PROCEDURES LETTER TO BE ADDRESSED TO ALL TERMINAL OPERATORS ON STATE AND GRANTED LANDS SPELLING OUT THE DIVISION'S REQUIREMENTS WITH REGARDS TO SPILL REPORT.

TANKER REGULATIONS

W 30001

AS YOU WILL RECALL, THE COMMISSION HELD PUBLIC, FACT-FINDING HEARINGS ON TANKER, TANKER TERMINAL SAFETY OPERATIONS IN LOS ANGELES AND SAN FRANCISCO LAST JANUARY. SUBSEQUENT TO SUCH HEARINGS, A STAFF TASK FORCE WAS DESIGNATED TO DEVELOP ANY RULES AND REGULATIONS NECESSARY TO PROTECT THE ENVIRONMENT AND ENHANCE THE SAFE OPERATION OF MARINE TERMINALS CURRENTLY UNDER LEASE ARRANGEMENT WITH THIS COMMISSION. THE RESULTS OF THAT STAFF EFFORT ARE BEFORE YOU TODAY.

IT IS MY RECOMMENDATION THAT THE COMMISSION:

1. CIRCULATE THE DRAFT REGULATIONS TO INDUSTRY, ENVIRONMENTAL INTERESTS AND THE GENERAL PUBLIC;
AND
2. HOLD A PUBLIC HEARING OR HEARINGS TO RECEIVE COMMENTS ON SUCH RULES AND REGULATIONS WITHIN 30 DAYS OF THEIR CIRCULATION.

CALENDAR ITEM 20 HAS BEEN PULLED FROM THE AGENDA.

EXHIBIT "B"

ASSISTANT EXECUTIVE OFFICER'S REPORT

W 21595

W 5762

This is a report on the areas in which the State Lands Division concerns are interfacing with Coastal Commission and Bay Conservation and Development Commission matters.

The Bay Commission was petitioned by the City of Redwood City to engage in planning for a special area use plan for the areas within the City fronting the Bay. We made our concerns known relative to the fact that we have been engaged through the Bair Island Task Force in working out a land use plan for a large contiguous parcel and that recommendations from that work should be coordinated with the City's special area planning. As a result, the Chairman of the Bay Commission appointed Jim Trout of our staff to work on coordinating these efforts.

By agreement with the Coastal Commission staff, our staff has been furnishing maps of the coast delineating the most landward extent to which a claim of public trust lands might be made. These maps point out very plainly that they should not be used to indicate a public trust claim over any specific parcel. Such determination could be made only after much more extensive research. There are several provisions of the Coastal Act dealing with public trust lands. For example, no categorical exemptions from permit controls may be given to any public trust lands.

Determining those lands subject to the public trust is, in some instances, difficult to accomplish. Once it is determined that certain lands are subject to the public trust, a determination

as to what uses are consistent or inconsistent with the public trust must be made. It may well be that a number of uses are consistent with the trust but giving priority to one type of use over another may be the most difficult decision. Working closely with such police power agencies as the Coastal Commission, we can come to agreement as to which of competing uses may be best on any given site to meet the criteria of public trust concerns.

The State Coastal Commission staff has requested State Lands assistance in implementing public access portions of the Coastal Act. As part of their permitting activities, they have been requiring applicants to dedicate accessways to beach areas. In many of these instances, local units of government have been unwilling to take over these dedications because of maintenance and liability costs. The Coastal Commission would still like to preserve the option that if and when such local governments do wish to undertake such dedications that a record of these easements would be available. Thus, they have asked us to record such offers of easements and take care of exercising and transferring such easements to responsible units of government when appropriate. Staff counsel is reviewing this proposal with the Attorney General's Office to determine what additional liability, if any, such action would expose the State Lands Commission to.

RECORD OF ACTION TAKEN BY THE

STATE LANDS COMMISSION

AT ITS MEETING OF SEPTEMBER 29, 1977

During the meeting, the recommendations of the staff relative to Calendar Items C1, C2, C3, C4, C5, C6, C7, C9, C10, C11, C12, C13, C14, C15, C16, C17, C18, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 35, 36 and 37 were adopted as resolutions of the Commission by unanimous vote.

Commission action on Calendar Items 19 and 27 are set forth on pages 1081 and 1106.

Calendar Items C8 and 20 were pulled from the agenda prior to the meeting.

Status of Major Litigation is set forth on page 1141.