

TRANSCRIPT OF COMMISSION MEETING

JANUARY 14, 1975

MR. BELL: Gentlemen, I would like to get the meeting started. I am going to act as temporary Chairman here for the purpose, primarily, of election of a permanent Chairman. At this time I recognize Senator Dymally.

GOV. DYMALLY: Thank you, Governor Bell.

MR. BELL: I apologize; I am a week late.

GOV. DYMALLY: I move that Controller Kenneth Cory be elected Chairman of the State Lands Commission.

MR. BELL: I second the motion and hearing no other nominations, the nominations are closed, and without any objection Mr. Cory is elected Chairman. Mr. Cory, you get the gavel and you get the agenda.

MR. CORY: The first item on the agenda is confirmation of the minutes of the December 19 meeting. Is there anyone in the audience who wishes to bring any discrepancy in those minutes to the attention of the Commission? Hearing none --

GOV. DYMALLY: Just one legal question, Mr. Chairman. Does confirmation indicate necessary approval of those actions taken by the previous Commission?

MR. SHAVELSON: No, Governor Dymally, it simply is confirmation that this is the action that took place at the last meeting.

MR. CORY: Without objection, we will deem them confirmed. The next item on the agenda is Item No. 3, a request from Mr. Mansell. Do you have that item - City of Long Beach on --

MR. BELL: On Special Counsel?

MR. CORY: Yes, request for Special Counsel with respect to potential litigation in the THUMS Unit. Mr. Lingle, are you here on that particular item or --

MR. LINGLE: I am here to get any questions.

MR. CORY: It would seem to me, that it probably would best serve us to maybe, as a Commission, to suggest some guidelines for Long Beach to follow and let them go pursue specifically what they want to come up with in the way of Counsel for that action, if they proceed, and let them get it finalized and come back here pursuant to Chapter 138. Since that makes sense to you two, and it make sense to the Staff, it's probably the most appropriate way to proceed, rather than - the letters seem to leave a lot of things unanswered and I would rather get those answered. I would like to --

GOV. DYMALLY: Mr. Chairman, before any decision is made by the City of Long Beach, they will come back to the Commission? For approval?

MR. CORY: Yes, yes, the actual, as I understand a provision of Chapter 138, the specific agreement would come back before us. Is that correct, Mr. Lingle, to your understanding?

MR. LINGLE: Maybe I better get up, so we get it on the record. I am Harold Lingle, Deputy City Attorney from the City of Long Beach. Now, as far as the City is concerned, certainly whatever we ultimately - we want your concurrence, and if the condition of your concurrence and particularly under the existing statute, I think we need, if you ask us to come back, we certainly shall come back before we finalize anything.

MR. CORY: In terms of the kinds of guidelines, it would seem to me that if you, in seeking a broad spectrum of potential counsel, you should avoid any potential or even hint of conflict of interest, that any counsel you come up with should not be somebody that has been counsel to any of the potential defendants or the other sides. They should not have, in essence, major oil company involvement. I would - I don't know that the other members agree, but I would think that that would be a criteria that you should be looking at as you proceed.

GOV. DYMALLY: The only one that I would like you to carefully avoid, if at all possible, is the inclusion of any contingency fees.

MR. CORY: And the other question, I guess, is adequate staff capabilities of an ongoing relationship that they can, in fact, successfully handle. And, if they have, I think it would be appropriate that they have demonstrated successful plaintiff litigation in the area of anti-trusts action, so that they have got a proven track record in that area. I presume you may have well have gone through all of that, but if we stated before hand of what we ask you to look for -- you have a better feeling for it,

MR. LINGLE: I would appreciate, I am sure you gentlemen realize, that I think the room is full of potential defendants and I don't think that this necessarily is the place for me to get into absolute discussion down to the numbers of criteria. Whatever your criteria are, we will be happy to consider them and obviously, I am a Deputy City Attorney, and I am going home and talk to the people whom I represent, but we certainly, as I said

earlier, if you give us your criteria, we will have to come - we'll - I've got authority, certainly we will come back with - to submit it for your approval.

MR. CORY: O. K., and you will be back at the next meeting, hopefully?

MR. LINGEE: Hopefully - that doesn't give us a great deal of time, but hopefully we will. I am sure you recognize that there are three of you. There's number of elective City officers down there that I have - that - hopefully we will be back by them, but I cannot promise that.

MR. CORY: And I would like to expose the original letter, which was directed to the prior Commission from the City Manager, John Mansell, asking - raising the subject of counsel; suggested one firm, Broad, Curry and Schultz, of San Francisco. I would like for you to look at all factors - I presume you looked at a number of people before you arrived at that one; but I would like the record to clearly show that particular law firm had handled litigation against me and subsequently litigation on my behalf. So, they both sued me, and I have employed them, subsequent to that, to do some other legal work for me, just so everybody knows it - with the criteria, I think you can go ahead and proceed and come back, hopefully, at our next meeting.

MR. LINGLE: Hopefully we can. We will do our very best.

MR. CORY: No objection, such will be the order. Thank you Mr. Lingle. The fourth item is the matter of the Exxon Pipeline, which was Calendar Item No. 4 at the December 19 meeting. Discussion of actions -

GOV. DYMALLY: Mr Chairman.

MR. CORY: Governor Dymally.

GOV. DYMALLY: I wish to move to postpone the advice of counseling action until the next meeting on January 30, and I would like Counsel to read the specific language.

MR. CORY: Mr. Taylor or Mr. Shavelson, whoever --

MR. SHAVELSON: Governor, I believe that you will want to instruct the Attorney General to take a position in that litigation.

GOV. DYMALLY: That's right.

MR. SHAVELSON: I would like, if I - my name is Jay Shavelson, Assistant Attorney General, for the record. I just would like to state publicly that, in this matter, the Attorney General did represent the former State Lands Commission in a proceeding for a State Order and an alternative writ, and talked briefly with attorneys for Exxon and their witnesses, and for that reason, we were somewhat concerned as to whether there would be an ethical problem in the Attorney General's representing the - what appeared to be - the majority views of this Commission, and therefore, we contacted Counsel for Exxon and they informed us that they do not feel that anything had been told to us or that we'd taken - gotten anything that would give unfair advantage, and therefore, they saw no ethical problem in our representing whatever view the present State Lands Commission wishes us to take in this litigation. I would appreciate it very much if a representative of Exxon would confirm that conversation.

MR. VERLEGER: My name is Phillip Verleger. Over here? O. K.

MR. SHAVELSON: Uh huh.

MR. VERLEGER: My name is Phillip Verleger. I represent Exxon in this matter. Now I will confirm the description of the

conversation given by Mr. Shavelson. We do not assert that Mr. Shavelson is disqualified in any way in that litigation. I don't know whether I should linger up here or whether --

MR. CORY: One further question, Governor, you wish to put this matter over until the --

GOV. DYMALLY: Yes.

MR. CORY: Has there been some discussion in terms of --

MR. TAYLOR: Mr. Chairman, Governor Dymally has asked us to draft some language which he has gone over and he has asked that we read the language for you at this time. Governor, as I understand your motion, the recommendation to you would be that (1) the Commission determine that there is a question as to whether the lease between the State, as lessor, and Exxon Corporation and Exxon Pipeline Company of California, as lessees, approved by the State Lands Commission on December 19, 1974, is legally valid; (2) the Commission authorizes the Office of the Attorney General to represent the Commission in the case of Cory vs. The State Lands Commission, Sacramento County Superior Court, No. 121974, and to take such legal position as deemed in the best interests of the State after consultation with the Commission; and (3) that you instruct the Division to report back to the Commission concerning this matter on January 30th.

MR. SHAVELSON: Excuse me, one more quick thing, Mr. Chairman. We'd also suggested that, in light of your status, as plaintiff in this lawsuit, that you would refrain from voting on this particular resolution.

MR. CORY: May I ask a question before we proceed on this point?

MR. SHAVELSON: Yes.

MR. CORY: Not on that subject - I have no problem with that suggestion - but do we have any problem - having done that - we have prepared the Commission - if that - if Governor Dymally's motion passes - prepared the Commission to be represented in the litigation, and there is no further problem of postponement of further detrimental reliance that might evolve?

MR. SHAVELSON: No, there is a stipulation in the lawsuit to the effect that no actions after tomorrow, the 15th, between the 15th of January and the 19th of February, will effect any issue in the present controversy that has to do with the pending litigation.

MR. CORY: And given that, do you suggest that I absent myself from the meeting while that motion passes?

MR. SHAVELSON: Not - not at all - perhaps temporarily asking one of the other two Commissioners to take the gavel on this matter.

MR. CORY: Mr. Bell, would you do what the Commission wishes to do?

MR. BELL: Well, in this matter, then, I will take the gavel temporarily, and we have a motion, duly made by Governor Dymally, and I will second it, and hearing no objection, the motion will be approved by the two of us with abstention by Mr. Cory.

MR. VERNEGER: For the record, may I simply add this much, that is, it's our view I want to be clear, that in speaking for Exxon, I do not assent to the proposition that there is any question as respects the validity of the lease. There certainly is no question, but that there is a lawsuit pending, and I don't think I have any standing to object to the Commission's asking the

Attorney General to represent the State. I do want to also add that we entered into a stipulation for the lawsuit so as to set in on an orderly pace. I don't want there to be any understanding that I've entered into any additional stipulation beyond that made in the case.

MR. GOLDEN: Mr. Chairman?

MR. CORY: This is the last statement. What was the significance of your last statement? I'm not sure I understand.

MR. VERLEGER: I just want to be clear. We made a stipulation in the lawsuit.

MR. CORY: That there was a lawsuit.

MR. VERLEGER: That there was a lawsuit and that acts in intervening between tomorrow and that lawsuit would not prejudice the position of the parties in the lawsuit. I did want to make it clear that we weren't entering into any stipulation. Beyond that, I don't think there was any suggestion that we were, but lawyers like to be careful about things of that sort.

MR. GOLDEN: Mr. Chairman, before we proceed any further, we have received a telegram on this last item which I think for the record, should be read in. It's from the Sierra Club. The Sierra Club urges that the Commission rescind approval of offshore oil drilling and Exxon Pipeline in the environmentally fragile and geologically unstable Santa Barbara Channel, Items 4, 5, 7, and 8 at least until adoption of the Coastal Zone Conservation Plan by the Legislature, signed by Joseph Edmiston, Southern California Coastal Coordinator, Sierra Club, and before proceeding perhaps to the other items which all deal with offshore drilling, we have a request from Bruce Rosenthal, who formerly represented Omer, Senator Omer Rains, last time at the Commission meeting, who would like to make



one brief correction in his testimony at that time and would like to make a short statement on his own behalf today.

MR. BELL: Am I still Chairman?

MR. GOLDEN: I think we're proceeding to Item 5 at this point.

MR. CORY: We had actually taken action on Item 4, and that -

MR. BELL: Yes?

MR. CORY: And you will include the telegram record on Item 4?

MR. BELL: Yes, at this time I am returning the gavel to Chairman Cory?

MR. CORY: Item 5 is the action taken by the previous Lands Commission with respect to Standard Oil in the Santa Barbara Channel, Calendar Items 23 and 24, November 21, and --

GOV. DYMALLY: Mr. Chairman, is it my understanding that Standard has agreed to submit an Environmental Impact Report on this matter?

MR. CORY: I believe the responsibility of the Impact Report, if there should be one, is with the Commission rather than with Standard, but Standard is, I understand it, has agreed that we should go ahead and get one and proceed in an orderly fashion.

May we have Mr. Couvillon, I believe, if we remember the name correctly?

MR. COUVILLON: D. G. Couvillon of Standard Oil of California. Mr. Cory is correct that after the November 21st meeting of the former Commission, two lawsuits were filed, both of which asked that an Environmental Impact Statement be prepared in connection with the permits approved at that time before any drilling was undertaken and Standard decided immediately that the matter of litigating that point, although we felt that the negative declaration

approach taken by the prior Commission, with the approval of the Attorney General's Office, was alright. We felt that the matter could be much more expeditiously resolved by voluntarily cooperating with the Commission in preparing an Environmental Impact Statement and we have so advised the Commission in advance, as most of you gentlemen know, and the arrangements have already been made. It is my understanding that our attorneys and the plaintiff's attorneys in both of those cases have arranged for this lawsuit to be postponed for a period to allow this Commission to act, and our request, Gentlemen, is simply that the matter be expedited so that after the statement is prepared and approved, that we be allowed to resume drilling. There has been a four-year delay and there is quite a story and history attached to that, which all of you gentlemen are familiar with, and it seems to us, in the public interest, that this drilling be allowed to be done under the present circumstances, and as you gentlemen know, we are talking only about platform drilling and known circumstances where the platform has been there for a number of years. Thank you very much.

MR. CORY: Does the Attorney General care to comment on --

MR. TAYLOR: I think we have --

MR. CORY: In an expeditious way of proceeding.

MR. TAYLOR: We have a suggestion, excuse me, I believe there was a comment -- further communication, Mr. Chairman.

MR. GOLDEN: Yes, well, we have two people actually who have requested to be heard on the offshore drilling items, Bruce Rosenthal, whom I mentioned before, and Richard Mansfield, who is the Legislative Advocate for a business and business representative.

MR. CORY: In the order that you gave them to us, Bruce --

MR. GOLDEN: O. K.

MR. ROSENTHAL: Chairman Cory, members of the Commission, my name is Bruce Rosenthal, and I am from Senator Omer Rains' office and the Senator has asked me to deliver this statement simply as a service to the Isla Vista Community Council, who cannot be here today.

Firstly, the Isla Vista Community Council requests that paragraph 2, sentence 1, of their December 19 statement be corrected so that the first sentence reads "at least 24 species and subspecies that are officially known to be, or thought possibly endangered or rare, and thus threatened with endangerment, inhabit the project area in the Santa Barbara Channel could be affected by a spill". I have copies of this statement. The Isla Vista Community Council requested that we deliver the following statement on today's items. We would like to ask that every effort be made to rescind the permits for offshore oil development that were given by the Commission at its last meetings.

The Platform Holly E.I.R. is still inadequate. We understand that Atlantic Richfield Company had some substantial hand in choosing the entity that prepared it and some control over the work of that entity. This means that the E.I.R. may well be --

MR. CORY: Pardon me just a moment, the reference, we can go ahead and take them now, but we will incorporate them under the proper item or bring you up when we get to Platform Holly. We are at this point discussing Standard of California, Item 5 on our agenda, so it will be your pleasure if you want to continue with --

MR. ROSENTHAL: I am halfway through with the statement.

MR. CORY: Fine, fine.

MR. ROSENTHAL: That means the E.I.R. may well be biased in your favor, for example, the Environmental Impact of the use of produced hydrocarbons is not considered in it. The E.P.A. has estimated that 1970 air pollution costs -- in 1970 air pollution cost the United States \$6.00 to 6 to 18 billion dollars. 75% of the United States energy comes from oil and gas. The proposed project oil production is .1% of current U.S. oil consumption. Air quality controls are falling far behind schedule, thus, the presently measurable economic impact alone of air pollution from the proposed project may be on the order of millions of dollars per year. Time does not permit further enumeration of deficiencies at this moment. This statement is delivered on behalf of the Isla Vista Community Council. Thank you.

MR. CORY: And the other - Mr. Golden, was that on --

MR. GOLDEN: Richard Mansfield of the Building and Trades Council.

MR. CORY: Dick, do you wish -- Dick Mansfield is Legislative Advocate for the Building and Trades Council, and we are glad to have you with us this morning.

MR. MANSFIELD: Thank you, Mr. Chairman. Members of the Commission, my name is Dick Mansfield. I represent the Building and Construction Trades Council of California. Our affiliated local unions and councils comprise of about 400,000 building and tradesmen in the State. We had communicated earlier to members of the Commission, except Mr. Bell, our position on the resumption of offshore drilling in the Santa Barbara Channel. This country is in very, very serious condition. We are not here defending

the petroleum industry, their pricing policies, or anything else. We are here to ask you gentlemen to approve the resumption of drilling in the Channel as expeditiously as possible.

The energy crisis, in my opinion, has played a considerable role in the current unemployment and the current depression that we find ourselves in, and this country must become energy self-sufficient and in the short term the resumption of oil drilling and production of petroleum products is absolutely essential to our economy and to the recovery of the country. Thank you very much. I would be very happy to answer any questions.

GOV. DYMALLY: Mr. Mansfield, are there oil workers in your Council also?

MR. MANSFIELD: No, they are not.

MR. CORY: No questions.

GOV. DYMALLY: Are those people who construct the platforms and wells in your Council?

MR. MANSFIELD: The construction of the platforms themselves involves the pile drivers, ironworkers, pipe fitters, and electricians and they are members of the Building Trades, but our position on this goes way beyond that. We are vitally concerned with the overall economy, and if we don't develop coal, if we don't develop the oil or oil resources that we have, in the short term, and then at the same time in the long term do research on other sources of energy, we're going to find ourselves in a position, gentlemen, where the whole economy is just going to come to a grinding halt, and we're going to have very serious economic and social problems, and I think in the short term, we should resume the resumption of drilling in the Channel.

MR. CORY: Any further questions?

GOV. DYMALLY: I have no further questions.

MR. CORY: Thank you very much, sir.

MR. MANSFIELD: Thank you, very much.

MR. CORY: O.K., we have at this point the acquiescence, as I understand it, from the testimony of Standard Oil of California proceeding expeditiously if we so wish. Is there a motion?

GOV. DYMALLY: I'd like Mr. Taylor to read what he thinks we ought to --

MR. CORY: Mr. Taylor, come closer.

MR. TAYLOR: Mr. Cory, again we would like to respectfully suggest that since you are a party to the action, that it might be better to handle this matter by having the Chairmanship -- hand it over to another member of the Commission and that the records should note that --

MR. CORY: I didn't have anything to do in November and December.

MR. TAYLOR: It should be noted that you have refrained from any action in this matter. Mr. Chairman, it is recommended that the Commission (1) rescind the State Lands Commission resolutions of November 21, 1974, approving the resumption of drilling operations from existing facilities on State oil and gas leases, PRC 3150, 4000 and 1824; (2) determine that application for such resumption shall be considered by the Commission only upon the preparation of an Environmental Impact Report prepared in compliance with the Environmental Quality Act of 1970, as amended, and in accordance with State policies in effect at the time of such consideration; (3) authorize the Attorney General to take

such action in the case of City of Santa Barbara vs. the State Lands Commission, Santa Barbara Superior Court No. 105991, including the entry of stipulations therein as are consistent with the resolution and the current State Lands Commission policies.

MR. BELL: Let the record show that the Chairmanship has been passed to Mr. Bell -- Governor Dymally:

GOV. DYMALLY: Mr. Chairman, I so move.

MR. BELL: This is that reading of the resolution in accordance with your motion. I would second the motion. Are there any objections? If not, that motion would be deemed adopted by Governor Dymally and myself and Mr. Cory has abstained for the record. I now pass, hopefully, the gavel back to Mr. Cory for the last time.

MR. CORY: Item No. 6 is discussion of the Calendar Item 22 of November 11, the Standard Oil Company's offshore drilling request in Orange County, Item 6, and our Calendar page is 15 and 17. Mr. Golden, do you have a report for us on that item?

MR. GOLDEN: Mr. Chairman, we do. Mr. Everitts, of our staff, will explain briefly where we are in terms of the chronology of the situation and what actions have been taken.

MR. EVERITTS: What I would like to do is make a couple of general comments that precluded the total program.

As I'm sure you gentlemen remember, in 1969, Union Oil Company had a blowout on Platform A on Federal Waters. Shortly after that, the then existing State Lands Commission declared a drilling moratorium. That moratorium has stayed in effect essentially since that time. In 1973, December of '73, they directed us to put together or I should say prior to that, in April '73, they directed us to put together a quarterly review of operations on

State Lands, and in December we did come up with a report in which we recommended that -- staff recommended to the Commission that drilling operations be commenced. The Commission told us to go ahead and prepare a program, but it would be, they might or might not release these leases for drilling, depending upon whether (1) the companies would conform with new procedures that we devised; (2) we wanted to be sure that they complied with California Environmental Quality Act and any other existing rules and procedures; and also they wanted to be sure that they felt the companies had clean-up capability. What these maps show here, essentially, are the offshore operations of State land which extend from Point Conception, west of Santa Barbara, to Platforms Herman and Helen; Platform Holly, one of your items, existing here in several leases, on to Platforms Hilda, Hazel, Hope, and Heidi, and the Carpentaria-Summerland area, on to Rincon, south and east to PRC 3095, which is Island Esther we are talking about right now.

We did make our review and we established procedures that are very strict. The Federal Government has started to duplicate them -- almost verbatim. We feel that this particular island is particularly safe. It is quite similar to the operations that have occurred on Islands A, B, C, and D in the Long Beach - Wilmington area. We estimate that there may be as much as an additional 10 to 15 million barrels of oil in this area if we can drill some additional wells, proposing 20 wells. These wells are in such a shape now, that they are not capable to sustain flow, so it's virtually impossible, if not completely impossible, to have an oil spill. In the event they did have an oil spill on Island Esther, the island is so constructed -- it has approximately 9,000 barrels



of cellar capacity, which, in effect, is a built-in containment device. That's three days production for the whole island. It's a month's production for any well you might drill, and we feel that there is no question that containment capability is demonstrated there. I don't know what more there is to say about it really -- it's -- They do have one thing, they do have an exemption from the South Coast Coastal Commission. It was approved unanimously.

MR. CORY: By the Commission?

MR. EVERITTS: By the Coastal Commission.

GOV. DYMALLY: To counsel then -- under those circumstances, no action is necessary in this.

MR. SHAVELSON: If the Commission is satisfied that the -- that in this limited area, the action of the former Commission was not improper, then you are correct. I would concur in your statement, Governor, yes.

GOV. DYMALLY: One additional point. Would you instruct, who gives the names of these wells, the oil companies or the Commission?

MR. EVERITTS: The oil companies.

GOV. DYMALLY: Would you instruct the oil companies that one member thinks that they ought to start giving some male names to these oil wells, such as John and Harry.

MR. EVERITTS: I might point out that the authorization of the previous Commission and what you are looking at right now is wells from existing facilities and existing leases. We have never at any time talked about new platforms, new wells, or new leases.

MR. CORY: If there is no other recommendation from other members of the Commission, we will proceed with Item 6, and make no change on Item 6; we'll proceed to Item 7, which is Mobil Oil Corporation's, I believe in the Ventura area, is that correct?

MR. EVERITTS: Maybe I better stay up here a minute. Yes, Mobil's operation is off a small pier, PRC 427. If you have driven the Santa Barbara Coast, Ventura, Santa Barbara, you recall the offshore island with palm trees along with a pier that goes out to it. This is right adjacent to that Rincon Island. This lease was originally issued in 1930 and all we are proposing to do here is to redrill four existing wells, the first of which was originally drilled in 1931 and the most recent one was drilled in 1954.

You do have a pier, you do have easy access to land, as far as any maintenance problems; again these wells are incapable of flowing. They are all artificial lift. You can't have a blowout. One interesting item on this, now, they actually have a permit, not just an exemption, but they actually have a permit from the Coastal Zone Commission on that operation.

MR. GOLDEN: Mr. Chairman, also, we do have a request from Lawrence Straw, Jr., of Mobil Oil Corporation, who would like to speak.

MR. CORY: Larry?

MR. STRAW: You're winning now. My name is Lawrence J. Straw, Jr., and I am an attorney with Mobil Oil Corporation. I did have an extensive statement I was going to make, but I think in view of what the State Lands Commission staff has said, I think it is unnecessary to make it.

MR. CORY: If you get in trouble, we will let you make your statement.

GOV. DYMALLY: May I ask Counsel a question? It may not be necessary for you to speak. Am I to assume that we take the same action in 7 as we did in 6, since there is no objection from staff or public?

MR. SHAVELSON: There is now communication from the Sierra Club.

GOV. DYMALLY: On Seven?

MR. SHAVELSON: Seven, right, with regard to all drilling in the Santa Barbara Channel so that there is a -- there is on record some slight objection. I believe, the Commission must see whether this operation is different from the major resummptions of drillings involved in the other two areas in the Santa Barbara Channel.

GOV. DYMALLY: No action then would be necessary for approval of the last Commission's decision.

MR. SHAVELSON: That is correct, Governor, yes.

MR. CORY: Then we can proceed to the next item? How's that for a victory?

O. K. Item No. 8, the discussion of Item No. 11 at the December 19 meeting, the ARCO application, with respect to Platform Holly. Mr. Golden.

MR. GOLDEN: Again, I've asked Mr. Everitts to explain this in a brief fashion, the history of -- how it would appear.

MR. EVERITTS: There is a difference that is above and beyond the litigation, which the attorneys will speak to. Platform Holly was erected in about 1965, and whereas, in the other action that

the Commission made last month, based on declaration -- they were based on making declaration, which is a short form of the Environmental Impact Report. Because the projects were essentially complete, there were very small changes to be made. Atlantic Richfield and Mobil Oil Company have the leases PRC 3120 and 3242. PRC 208, 308, and 309 are Burmah Oil Company, of Burmah Oil and Gas. The problem with Holly is that there is strong reason to believe that an additional 1 or 2 platforms may be needed. There is strong reason to believe that there are large oil reserves. On that basis, the Attorney General's Office advises that we really should make an Environmental Impact Report, because you can't really say that the impact on environment may or may not be significant with such a large expansion; in effect, we are only asking for 17 wells on this action. Ultimately, they may require two or more platforms and 100 more wells. We did, working through Atlantic Richfield, complete an Environmental Impact Report and the Attorney General's Office did indicate that they thought it was significant. That was the basis for our previous recommendation.

GOV. DYMALLY: Mr. Chairman.

MR. CORY: Governor Dymally.

GOV. DYMALLY: Do you want to instruct the staff of the State Lands Commission to report back to us on this matter in two weeks? I would like Counsel to read the specific language.

MR. CORY: O. K.

MR. TAYLOR: Mr. Chairman, Governor Dymally, it is recommended that the Commission (1) Determine that reexamination of the State

Lands Commission resolution of December 19, 1974, allowing the resumption of drilling operations from existing facilities on State Oil and Gas Leases, PRC 3120 and 3242, is necessary in order to determine whether such action is consonant with current legislative and executive policies of the State; (2) Suspend said resolution in all permits issued by the State Lands Division, pursuant thereto, pending a further review of the record before the State Lands Commission and a review of current State policies in cooperation with appropriate representatives of executive and legislative branches of State government; (3) Instruct the Division to report back to the Commission on January 30, regarding this matter.

MR. GOLDEN: Mr. Chairman, it might be in order to ask if anyone from ARCO is here to speak before you make your final determination.

MR. CORY: Just a moment, Mr. Shults, we have a motion.

MR. BELL: I would like to second the motion.

MR. CORY: We have a motion and a second. Mr. Shults, now would you come -- They arrived? O.K. Would you identify yourself?

MR. PENDERGRAFT: Mr. Chairman, my name is Jeff Pendergraft. I am an attorney for Atlantic Richfield. I got caught in the fog this morning, so I am a little late in getting here.

MR. CORY: O. K.

MR. PENDERGRAFT: Let me briefly state where I think we are on this matter. Mr. Everitts mentioned the possibility for new platforms and new wells in the Channel and that that was an overriding concern in the preparation of the Impact Report.

The Action that the previous Commission took was simply an action to approve the drilling of 17 new wells from an existing platform with no reference and no approvals for future platforms or future wells in the Channel. An Impact Report has been prepared, we spent considerable time preparing that and the State Lands Commission staff has -- and we've assisted them with it and we feel that we've gone down the road and are ready to start drilling. Now, if this Commission wants to take two weeks to review the matter, we would have no objection to that. I believe that, however, that it is unnecessary to suspend the action of the previous Commission during that two-week period. I can represent, on behalf of Atlantic Richfield, that we do not intend to drill any new wells during that two-week period, and I believe that the action in rescinding or the approval for pending further studies is both inappropriate and unnecessary, and we would object to that portion of your motion.

MR. CORY: Any comments from the staff?

MR. SHAVELSON: May I ask Counsel, is Atlantic Richfield, has or is Atlantic Richfield, relying in any way upon the action of the former State Lands Commission in light of the fact that it has been under either a stipulated or ordered -- State Order by the San Francisco Superior Court and there has now been a ruling by -- with regard to Coastal Commission action pending in the San Francisco Superior Court.

MR. PENDERGRAFT: Mr. Shavelson, I am not sure I understand your question. I think the two actions, the action by the Coastal Commission in the Court on one hand, and the action by the State Lands Commission are independent. Beyond that, I really don't know --

MR. SHAVELSON: The question is, has Atlantic Richfield or does Atlantic Richfield intend to rely in any way upon the action of the former State Lands Commission in approving the resumption of drilling on Platform Holly at this time.

MR. PENDERGRAFT: Well, as I've already stated, we do not intend to drill any new wells during the two-week period that you are talking about. I am not sure that fully answers your question, but that is the statement I have made already.

MR. SHAVELSON: Right, is there any other action out, other than resumption of drilling taken by the Company or contemplated by the Company?

MR. PENDERGRAFT: Other than resumption, with respect to Platform Holly?

MR. SHAVELSON: Yes, in reliance on any action by the State Lands Commission.

MR. PENDERGRAFT: I just don't know exactly what you have got in mind. The only action the State Lands Commission took in December was to approve the resumption of drilling new wells, and as I've stated, we don't intend to resume drilling new wells during the next two weeks.

MR. SHAVELSON: And, I am asking whether Atlantic Richfield has taken any other action in reliance on that resolution?

MR. EVERITTS: Have you started to move a rig out or anything like that? That's the type of thing he is asking. Committing yourself to any further --

MR. PENDERGRAFT: We have taken in the past all of those kinds of actions, moving rigs out in preparation for drilling. That action was suspended when the San Francisco Superior Court ruled and the case brought by "Get Oil Out", so that action is also being suspended.

MR. SHAVELSON: So, no further action will be taken by Atlantic Richfield in reliance on the former resolution of the State Lands Commission then. No action has been taken.

MR. PENDERGRAFT: Well, there has been action taken since December. There will be no further action taken with respect to drilling new wells before the 30th of this month.

MR. SHAVELSON: I see, thank you.

MR. CORY: To clarify that, what action did you take subsequent to the December meeting, because I believe there was a court case pending at that time. What action did you take between the issuance, or the approval, at the what? 19th or -- meeting and --

MR. PENDERGRAFT: Chairman Cory, there are several kinds of things that are ongoing in preparation for drilling new wells, actions that must be taken in terms of gearing up to proceed to drill the new wells. For example, a rig was obtained and outfitted especially for Platform Holly so that it was suitable for drilling on Platform Holly. Those kinds of things --

MR. CORY: You did that after, you did that after December 19 and before the January 6 decision?

MR. PENDERGRAFT: Right.

MR. CORY: Even though you had a temporary restraining order from Superior Court of California to do so?

MR. PENDERGRAFT: Well, the temporary restraining order related, first of all, to the decision -- it was a stay order, a staying of decision of the Coastal Commission, granting Atlantic Richfield an exemption. It did not either prevent Atlantic Richfield from drilling new wells nor did it specifically prevent Atlantic Richfield from preparing to drill those wells. So it was not, if your question is, did we take action in contravention of the



stay order issued by the Superior Court, we certainly did not.

MR. CORY: I am afraid that is a distinction in which the difference eludes me, but --

MR. PENDERGRAFT: O.K.

MR. CORY: Hopefully, my education will be further acknowledged in some point in time. It seems to me that we probably need to proceed, given this grey area in which there are things that can be done behind the scenes, rather than actual drilling and the only promise we have is not to drill. Is that your interpretation of where we are, Mr. Shavelson?

MR. SHAVELSON: I think the resolution, as proposed, would be -- would be appropriate.

MR. CORY: We have a motion and a second. Are there any further -- testimony from anybody in the audience? Hearing none, and again for the Attorney General, I am in no way involved, to my knowledge in any of this. O.K. All those in favor of the motion, signify by saying Aye.

MR. BELL: Aye.

MR. CORY: Opposed? Motion is carried.

GOV. DYMALLY: Mr. Chairman, I wish to not necessarily move, but suggest that we skip Item 9, and go to sub-item 1 and 2, in open session, first item, which was scheduled for Executive Session is an appointment of an Executive Officer.

MR. BELL: I see no problem on --

MR. CORY: I would -- with the Commission's pleasure -- I would like to appoint Mr. William Northrop as Executive Officer.

MR. BELL: I have no objection.

MR. CORY: Mr. Dymally and Mr. Bell concur. Such will be the order and the second item --

GOV. DYMALLY: Mr. Chairman, that Item 2, sub-item 2, that Mr. Northrop be appointed as interim representative to B.C.D.C. and Mr. Golden as his alternate.

MR. NORTHROP: This is for the staff representative of --

MR. CORY: Yes, B.C.D.C.

MR. BELL: I would second that motion.

MR. CORY: We have a motion and a second. All in favor signify by saying Aye.

MR. BELL: Aye.

MR. CORY: Opposed? Motion is carried.

GOV. DYMALLY: Mr. Chairman, I have an item, it is a very small item, and it is not on the -- is it appropriate to bring up an item not on the agenda? On pending legislation?

MR. CORY: Governor --

GOV. DYMALLY: Let's postpone it.

MR. CORY: Yes, Let's postpone it. Yes.

GOV. DYMALLY. Mr Chairman, Item 9 -- I move that the next meeting be held on January 30, 10:00 a.m., Room 2170-C, Capitol, Sacramento.

MR. CORY: Have we confirmed that this room is available at that time?

MR. GOLDEN: Yes, we have, Mr. Chairman.

MR. CORY: We have a motion by Gov. Dymally.

MR. BELL: I will second it.

MR. CORY: All those in favor of the motion, signify by saying Aye.

MR. BELL: Aye.

MR. CORY: Opposed? Such will be the order. Any further business to come before the Commission?

MR. SHAVELSON: I would like to hand an envelope to you and Mr. Bell. Just one moment, if I may.

MR. CORY: We are still in session?

MR. BELL: No.

MR. SHAVELSON: No.

MR. BELL: The meeting's adjourned.

MR. CORY: Mr. Golden has an item.

MR. GOLDEN: I just -- as soon as we adjourn, I would like to have you hold, if you will please, and administer the oath to Mr. Northrop.

MR. CORY: O. K. It's a matter of signing him in? With no further business to come before the Commission, we stand adjourned.