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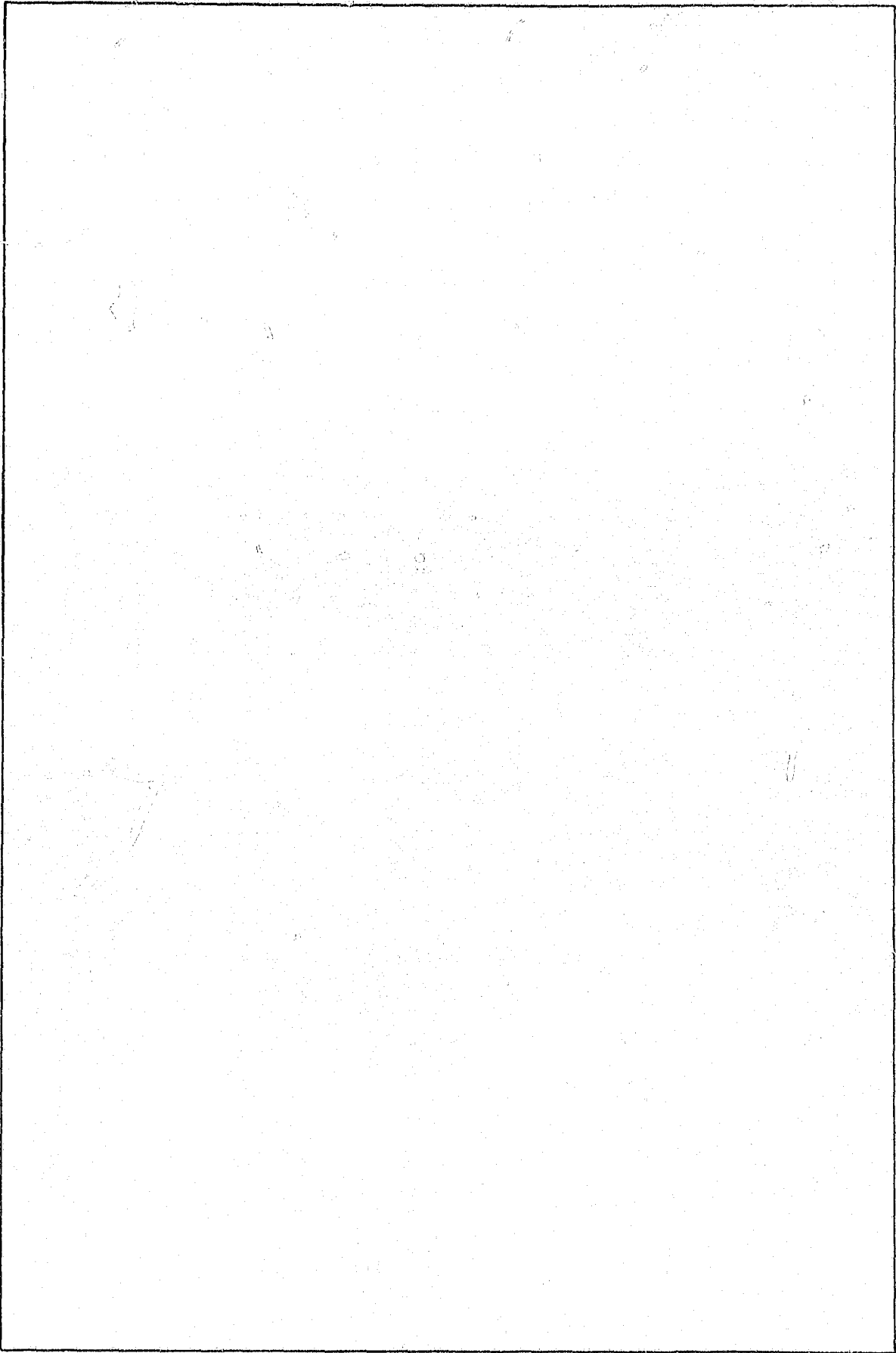
MEETING
STATE LANDS COMMISSION

ROOM 2117
STATE CAPITOL
SACRAMENTO, CALIFORNIA

THURSDAY, FEBRUARY 27, 1975
10:10 A. M.

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MEMBERS PRESENT

- Hon. Kenneth Cory, Controller, Chairman
- Hon. Mervyn M. Dymally, Lieutenant Governor
- Hon. Roy M. Bell, Director of Finance

MEMBERS ABSENT

None

ALSO PRESENT

- Mr. William F. Northrop, Executive Officer, State Lands Commission
- Mr. R. S. Golden, Assistant Executive Officer, State Lands Commission
- Mr. D. J. Everitts, Manager, Energy and Mineral Resources Development
- Mr. James F. Trout, Manager, Land Operations, State Lands Commission
- Mr. N. Gregory Taylor, Deputy Attorney General

P R O C E E D I N G S

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CHAIRMAN CORY: Okay. We will call the meeting to order. Somebody obviously notes that there is all the members here. There is a quorum present. All the members are here.

The first item is the confirmation of the minutes of the meeting of January 30. Does anybody have any corrections for the minutes?

Hearing none, we will deem them confirmed.

Mr. Northrop, you have a report for us.

LIEUTENANT GOVERNOR DYMALLY: Before that, Mr. Chairman, I'd like to skip to Item 13 for a correction.

CHAIRMAN CORY: Okay.

LIEUTENANT GOVERNOR DYMALLY: That should read Monday, March 31.

CHAIRMAN CORY: Monday, the 31st.

MR. NORTHROP: Thank you very kindly for the correction, Governor, it was an oversight on our part.

CHAIRMAN CORY: For anybody that is here, turn to the calendar summary. We are talking about the date, time and place of the next meeting of the Commission. It, in the printed version, was incorrect for the 27th. The meeting will be held Monday, the 31st of March, in Sacramento, 10 a.m.

1 MR. NORTHROP: Governor, it was my fault and I
2 apologize.

3 CHAIRMAN CORY: Now, are we through?

4 LIEUTENANT GOVERNOR DYMALLY: All right.

5 CHAIRMAN CORY: Mr. Northrop, you have a report for
6 us.

7 MR. NORTHROP: Yes. Mr. Chairman, I have a few
8 informational items to bring to the attention of the Commis-
9 sion at this time.

10 First, the good news, I guess, the latest tally on
11 the aggressive trespass program you have requested the staff
12 to undertake.

13 As you know, attorneys for the State Lands Division,
14 really for the first time in modern history, have initiated
15 a program -- to be initiated by staff attorneys -- have
16 initiated a program with a suit filed on February 13,
17 against Halvor Schultz, a long-standing trespasser on the
18 Sacramento River. The suit seeks to eject Mr. Schultz from
19 State land which he has been occupying without a permit.
20 In addition, we have asked for payment of back rent as well
21 as \$10,000 in punitive damages resulting from the trespass.

22 Because of the publicity resulting from the litiga-
23 tion, the Division has already been contacted by approximately
24 20 current trespassers regarding the State's leasing
25 requirements. In addition, the Division has received 9

1 preliminary lease applications, 6 for the Sacramento River
2 area and 5 in the Lake Tahoe area.

3 Day before yesterday, the Division filed another
4 legal trespass action. The program will continue and we will
5 continue to keep you informed.

6 In this regard, to continue and to augment our
7 trespass program, we have asked for a budget augmentation.
8 I think you have a copy of that budget augmentation in your
9 file there. Basically, the proposal provides the means
10 through which the staff can implement more active and
11 aggressive programs in this area.

12 And we have also included some other areas such as
13 the area of boundary and ownership determination to establish
14 firm title to State lands in such areas as the Colorado
15 River and the San Joaquin-Sacramento Delta areas.

16 We need additional help for field surveys to assist
17 in the boundary-line determinations and we need help to
18 bring trespassers under lease or remove them from State-
19 owned property. We need some help in upgrading our
20 capacity to prepare Environmental Impact Reports, and some
21 improved legislative coordination with the Commission
22 members, particularly with the increased activity in
23 Washington, D. C., and with federal agencies. We need
24 stepped-up meetings with other states facing similar
25 problems.

1 CHAIRMAN CORY: Well, in terms of the memo, what
2 kind of anticipated revenues will the stepped-up trespass
3 operation have? Because I think the people at the Department
4 of Finance are going to ask you that question.

5 MR. NORTHROP: The stepped-up trespass, in its
6 initial year, the stepped-up trespass program will probably,
7 in the initial 12 months, will probably yield somewhere
8 around \$100,000 to \$150,000. But the thing about that --

9 CHAIRMAN CORY: So you need cash flow, negative
10 cash flow, for the first year?

11 MR. NORTHROP: Probably for the first two, two and
12 a half years. But it pyramids the fact that once you
13 establish a rental, that rental goes on and you are able
14 to go on and establish more rentals. So it really is
15 pyramiding as it goes along because once we have established
16 a rental, it continues on. Then it is a matter of just an
17 annual billing or monthly billing and then we can take our
18 time. Then it becomes a matter of routine and then we can
19 take time in to handle other trespassers, so it's a building
20 program.

21 CHAIRMAN CORY: Governor Dymally, do you have a
22 question?

23 LIEUTENANT GOVERNOR DYMALLY: Yes. Approximately
24 how many of these cases do you have on record, do you know?

25 MR. NORTHROP: I can give you a ballpark guess and

1 that's all it is, and it is a big ballpark. There have been
2 estimates from two to five thousand trespassers. And that's
3 the total ballpark, and we could be off in the order of a
4 magnitude of 50 percent.

5 LIEUTENANT GOVERNOR DYMALLY: At the expense of
6 asking --

7 MR. NORTHROP: So it is unreal --

8 LIEUTENANT GOVERNOR DYMALLY: At the expense of
9 asking a very stupid question, these people just go and build
10 on State land?

11 MR. NORTHROP: That is right.

12 LIEUTENANT GOVERNOR DYMALLY: It sounds like a good
13 deal to me.

14 MR. NORTHROP: It doesn't take long to figure that
15 out and the word seems to be out in these recreational areas
16 is that all you have to do to rip off State land is just go
17 build on it and stand around and wait for them to come and
18 get you if they can find you or care to. And the way it has
19 been, our number of people to handle trespassers is very
20 limited.

21 CHAIRMAN CORY: In terms of the pyramid effect,
22 I would think you might --

23 MR. NORTHROP: It is an inverted pyramid effect.

24 CHAIRMAN CORY: -- you must provide second and
25 third-year cash flows and it might expedite your problems

1 with the Department of Finance and the budget committees.
2 You have got to be prepared to prove to them that it is a
3 worthwhile investment, because my recollection of at least
4 previous directors at the Department of Finance is that they
5 have been very tight with the dollar.

6 COMMISSIONER BELL: They are much more liberal than
7 I am.

8 (Laughter)

9 CHAIRMAN CORY: So, just so you know what you are
10 up against.

11 MR. NORTHROP: Thank you very kindly, Mr. Chairman.

12 CHAIRMAN CORY: Do you prefer not to comment on
13 this item, Mr. Bell?

14 COMMISSIONER BELL: Yes. I was trying to think of
15 a way whereby we could encourage you to do better work by
16 appropriating only that amount of money you earned, to pay
17 for yourselves.

18 MR. NORTHROP: Mr. Bell, I think -- we will take
19 that. We will take that.

20 CHAIRMAN CORY: That might be an interesting pro-
21 gram. Just tell everybody on the staff over there they get
22 their salary of the trespasser they catch.

23 (Laughter)

24 CHAIRMAN CORY: And we will cut everybody off for a
25 month and get everybody payrolled.

1 No further questions?

2 COMMISSIONER BELL: Okay.

3 MR. NORTHROP: If you call over and nobody
4 answers the phone, everybody is out catching trespassers.

5 (Laughter)

6 COMMISSIONER BELL: This is an augmentation for
7 '75, is that right?

8 MR. NORTHROP: Right. It is an augmentation. It
9 is before the Committee and they are going to hear it, as I
10 understand it, and it will come up very shortly.

11 COMMISSIONER BELL: When are the Subcommittee
12 hearings scheduled?

13 MR. NORTHROP: Next week. So it's very close.

14 In the area of oil and gas revenues, increased
15 efforts have been made to have the FEA amend its price-
16 ceiling regulations. This could result in millions of
17 dollars in additional revenue. The people of California
18 should be receiving the same \$5.25 per barrel for their oil
19 that the people in other states are receiving for their
20 oil on tidelands. Instead, we are held to \$4.21. Just as
21 an order of magnitude, and because it is very important,
22 with the windfall-profits bill that is now before the United
23 States Congress, every dollar that we are able to maintain
24 of a new crude oil price means an additional \$40 million per
25 year income to the State. And if we lose that windfall

1 profits, we have lost in the order of magnitude, if the in-
2 creased sum of the gas would be about \$5, we would lose
3 \$200 million. And the vital part of this budget augmenta-
4 tion we would ask for, is to allow the members of the Com-
5 mission to carry this story to Washington before it is too
6 late.

7 CHAIRMAN CORY: This bill that you are talking
8 about is the legislation on windfall profits which defines
9 the State as a taxpayer --

10 MR. NORTHROP: That is right.

11 CHAIRMAN CORY: -- for their purposes. So we will
12 have to pay, as an oil producer, the same windfall profits
13 tax --

14 MR. NORTHROP: And that is a considerable producer.

15 CHAIRMAN CORY: -- that a private producer would,
16 which is, I think, a bad precedent, to ever let the Federal
17 Government start taxing State activities.

18 MR. NORTHROP: In the bill that was before the
19 U. S. Congress last year, and did not pass, we would have
20 been included in that basis.

21 At the last Commission meeting, Chairman Cory asked
22 for a report on possible applications to the FEA for rulings
23 that would increase the State's oil and gas revenues from
24 State lease production. Commissioner Bell requested a
25 report on what impact such increase would have for the

1 California consumer.

2 Just for the record, I am reporting that the
3 Chairman, acting on behalf of the State, filed a petition
4 with the FEA this week, requesting an amendment to crude
5 oil pricing regulations, making gravity penalties on crude
6 oil produced equivalent to those applied elsewhere. And
7 also, Lieutenant Governor Dymally has a communication going
8 to Mr. Zarb, who is Chairman of the FEA, requesting that he
9 lend his good offices to this effort. So we tried to cover
10 both ends of it, in this position.

11 The staff investigation, upon Commissioner Bell's
12 request as to consumer impact, shows that the requested rule
13 change could not possibly make an appreciable difference at
14 the gas pump. As a matter of fact, the people of the State
15 of California, under the entitlement program, are presently
16 paying for the higher crude price and subsidizing the price
17 of gasoline for consumers, in particularly the northeastern
18 states.

19 So what we are really asking for is parity for our
20 crude oil because we are paying for theirs at the gas pump.

21 CHAIRMAN CORY: You are saying that California
22 consumers are having to pay nationwide prices for crude oil
23 even though the refinery is using domestic crude oil?

24 MR. NORTHROP: Right. The situation is this. The
25 pass through on the entitlement is based on a company-wide

1 projection. Company A, who markets throughout the United
2 States, uses in their formula the price of crude that they
3 pay throughout the United States, and that is averaged into
4 the pump price. There is no provision for regional or state
5 averaging. So, in this way, the entitlement price of \$5.25,
6 which is the basis on which a crude deficient refiner may
7 request crude oil, that is the entitlement price. So, we
8 are really -- the \$4.21 versus the \$5.25 roughly gives a
9 dollar and some cents.

10 CHAIRMAN CORY: Where is the dollar ending up? If
11 they are able to charge the consumer based upon \$5.25 crude
12 oil on a nationwide average, and they are only paying \$4.21
13 for our crude oil, who is getting the buck?

14 MR. NORTHROP: Well, that goes in the national mix
15 and I really don't know where it goes.

16 CHAIRMAN CORY: The dollar has to come out some-
17 where. I mean, is it in the profit to the national company
18 or is the FEA skimming?

19 MR. NORTHROP: It would have to wind up in that
20 position, in a profit position, on a barrel-for-barrel basis,
21 because, when they buy a barrel at \$4.21, it releases a
22 barrel to sell somewhere else. So they may not physically
23 be selling our \$4.21 oil for \$5.25, but certainly, if their
24 crude slate is satisfied at \$4.21, then that would allow them
25 to sell other crude at \$5.25 or some other price above that.

1 So this really is not a reflection, Commissioner
2 Bell, and it would have some impact because it would go into
3 the mix, but it would be in the third decimal place somewhere.

4 CHAIRMAN CORY: It would be mitigated by the
5 national volume.

6 MR. NORTHROP: Right. You would have to figure
7 the whole national volume.

8 COMMISSIONER BELL: You would say it probably
9 would have less than one-tenth of one cent impact?

10 MR. NORTHROP: Yes. I would say it would be some-
11 where in that area of magnitude.

12 The Amendment to a Lease for the Burmah Oil
13 Company is the next area I'd like to discuss with you. At
14 the December 1974 Commission meeting, the staff, subject to
15 certain legal approvals by the Attorney General's office,
16 was authorized to conclude an agreement with Burmah Oil
17 Company, modifying the lease included within the 91.1 Main
18 Zone Unit in the Huntington Beach Field.

19 Burmah has the right, and has threatened, to
20 terminate the unit agreement which would reduce the State
21 revenue and cause a premature shutting-in of wells. Burmah's
22 action is based upon the assertion that it is losing money
23 under the current contract. Royalty arrangements -- this
24 happens to be a little bit of a different royalty arrangement.
25 The Commission's delegation of authority to the staff was to

1 adjust the unit agreement to allow continuation of the
2 profitable lifetime of the unit and to maximize the State's
3 income.

4 To date, no amendment of the agreement has been
5 completed. Data is still being collected by the State Lands
6 Division in order to determine whether the proposed change
7 in the royalty formula will accomplish the purposes intended
8 by the Commission. Furthermore, steps are being taken to
9 include minority leasehold interests within the overall
10 agreement, and to explore the legality of such inclusion.

11 I will keep you fully advised of future meetings
12 concerning further developments in this matter. It is a
13 complicated formula. If you'd care to, gentlemen, I will
14 ask --

15 CHAIRMAN CORY: Is there an option for the State
16 of just taking over and producing the wells ourselves?

17 MR. NORTHROP: That option exists, but I think the
18 option certainly exists of taking it back and putting it out
19 on a royalty-bid basis. Would you agree, counselor?

20 MR. TAYLOR: No. I think the lease would shift
21 down to a standard old lease. These are very old leases.

22 MR. EVERITTS: It is more complicated than that
23 because this is a zone, just one zone, within a well, and
24 you couldn't hardly take over just one zone out of a well
25 and have them produce the other zones from the same well. In

1 this case I think you would have to drill more wells and it
2 is not profitable to drill new wells too.

3 CHAIRMAN CORY: But their threat is to shut down
4 and quit-claim it back.

5 MR. TAYLOR: No.

6 CHAIRMAN CORY: No?

7 MR. TAYLOR: No. They are only threatening to
8 terminate the unit, and by terminating the unit we would go
9 back to a reduced royalty rate which would mean a loss of
10 about \$7 million. It was estimated that may be the net loss.

11 CHAIRMAN CORY: That is because of escalating. The
12 greater the volume, the --

13 MR. TAYLOR: The royalty shifted when we went into
14 the unit. It would go back to the old royalty rate of
15 12-1/2 percent if the unit was terminated.

16 CHAIRMAN CORY: Okay. And they are just
17 threatening to terminate the unit and not to abandon the
18 lease?

19 MR. TAYLOR: Yes.

20 MR. NORTHROP: But we are trying to work out some
21 kind of equity and it is an unusual formula on this particu-
22 lar well and it is the reverse of the usual. The better it
23 goes, the better the well operates, the more we get. And
24 right now we are getting almost all of it.

25 MR. TAYLOR: There is additional problems. There

1 are other private parties involved. It is not an exclusive
2 State lease. That complicates the picture tremendously.

3 MR. NORTHROP: The next situation was, at the
4 regular Commission meeting in January, we had a report from
5 USA Petroleum, and I reported on the FEA ruling setting aside
6 certain of the State's sell-off agreements. In this
7 connection, there was a discussion of the contract dispute
8 between the State and USA Petroleum, one of the purchasers
9 of the sell-off. Following the meeting, a staff report
10 dated February 10, 1975, was distributed to you for your
11 information.

12 Although USA is supporting the State's position
13 before the FEA regarding the propriety of the sell-offs, the
14 company has refused to pay the State any bonus on the oil it
15 has received under the contracts.

16 A supplemental agreement has been reached by the
17 State and USA whereby USA will increase its letter of credit
18 from the present half a million dollars to one million
19 dollars to guarantee payment of all sums that become due in
20 the event that legal action goes badly for USA.

21 In short, the agreement fully protects the State's
22 interests and allows the State and USA to jointly proceed
23 in Federal Court to establish the validity of the sell-off
24 contract. So we have a unique situation here, that USA and
25 the State Lands Commission are on the same side in one issue

1 and are separated on another. The agreement between USA and
2 the State has been reviewed and approved by our staff and by
3 the Attorney General's Office.

4 Under the previous --

5 CHAIRMAN CORY: What is happening to cash flow?
6 I mean, who is taking possession of the oil and who is paying
7 for that oil at the present time? Are we getting anything
8 for the oil?

9 MR. NORTHROP: We are getting posted price for the
10 oil.

11 CHAIRMAN CORY: And who is paying that?

12 MR. NORTHROP: USA is paying that to us, but the
13 bonuses to which we are entitled we are not receiving.

14 CHAIRMAN CORY: That is the amount which they --

15 MR. NORTHROP: But that is being held in a letter
16 of credit in a suspense file, and the letter of credit is
17 on our demand, so all we have to do is make the demand. They
18 have no option on release.

19 CHAIRMAN CORY: USA is taking the oil?

20 MR. NORTHROP: Yes. They are taking the oil.
21 Whether they are physically taking the oil, Mr. Chairman, no,
22 I don't believe they are. I believe they are exchanging it.

23 CHAIRMAN CORY: But they are getting the benefits
24 of the oil?

25 MR. NORTHROP: They are getting the benefit of the

1 oil, correct. But physically they are not taking it. They
2 are doing something else or having an exchange worked out.

3 CHAIRMAN CORY: Is Standard paying them at all or
4 are they just paying the posted?

5 MR. NORTHROP: They are paying them posted on it.
6 That's the one that we had last time. They are paying them
7 posted.

8 CHAIRMAN CORY: Any further questions?

9 MR. NORTHROP: The agreement between the USA and
10 the State has been reviewed, as I said. Under the previous
11 authorization from the Commission to proceed with this
12 litigation, I will execute the agreement, if that is
13 acceptable to the Commission.

14 CHAIRMAN CORY: Really.

15 COMMISSIONER BELL: I have no problem if you don't.

16 LIEUTENANT GOVERNOR DYMALLY: Okay.

17 CHAIRMAN CORY: Okay, without objection.

18 MR. NORTHROP: Two more items, Mr. Chairman, and
19 I will complete my report.

20 In the January Commission meeting the staff was
21 directed to prepare an Environmental Impact Report on Standard
22 Oil Company's request to resume drilling operations on
23 existing platforms at Carpinteria and Summerland in the Santa
24 Barbara channel. The report was prepared by a contractor
25 selected by the Commission. The study will be funded by

1 Standard through an escrow account. On February 19 the draft
2 request for proposal was submitted to potential contractors
3 as it was transmitted to various local governments and
4 legislators in the Santa Barbara and Carpinteria area with a
5 request to review this. It asked for an expression of any
6 special concerns they might have. What we have done is, we
7 have sent out the request and asked all the cities, the
8 representatives, the legislators and any other concerned
9 groups in the area if they have suggestions they would like
10 to have us cover in the impact report, and we will do it.

11 A preliminary screening of possible contractors
12 has been completed and the final request will be transmitted
13 to potential contractors on March 24. Proposals are due on
14 April 14 and a report recommending a contractor will be
15 given to the Executive Officer for discussion with the
16 individual Commissioners by May 5. So we can cut the time
17 frame down and we will try to do it individually, at least
18 tell everyone where we are and what is going on individually.

19 The last item is --

20 (Thereupon a short discussion was held off the
21 record.)

22 MR. NORTHROP: If there is a problem with any
23 Commissioner, we will put it on the agenda. If it is just
24 one of those things that we just want to make sure that
25 everybody is aboard as we go along.

1 COMMISSIONER BELL: I have no problem with that.

2 MR. NORTHROP: At any time we will just bring it to
3 an agenda item.

4 The last thing I'd like to talk about is the
5 recently released Federal Offshore Continental Shelf Impact
6 Report. A notice was published on February 21, this month,
7 on the Federal Register, advertising that the Department
8 of the Interior had released a draft Environmental Impact
9 Statement relating to a possible outer continental shelf oil
10 and gas sale of 297 tracts, offshore California. This is a
11 sale that was originally scheduled for around June of 1975.

12 Comments on the statement will be accepted by the
13 Interior Department until May 23, 1975. After a public
14 hearing is held and comments have been received and analyzed,
15 the final Environmental Statement will be prepared.

16 Now, what I have instructed the staff to do is to
17 make available to the Commissioners at least a synopsis or
18 review of what is involved in that statement. So as soon as
19 that is available, we will transmit it to you and perhaps
20 try to agenda it next time in case anybody wants to have
21 discussion on it.

22 CHAIRMAN CORY: Would that study indicate how they
23 are planning on getting the oil from the wellhead to shore?

24 MR. NORTHROP: Yes, I believe that is covered in
25 the volume, just skimming it, in Volume II, I believe. There

1 would be alternatives of bringing it on shore, whether it is
2 to come by pipeline or single-point mooring or what is in-
3 volved in getting it ashore.

4 CHAIRMAN CORY: Governor?

5 LIEUTENANT GOVERNOR DYMALLY: Based on your contacts
6 in Washington and reading of the matter, and what we have
7 read in the papers, are you of the opinion that they are
8 going to go ahead and drill?

9 MR. NORTHROP: It is my opinion, Governor, that,
10 yes, they are, and they are going to be frightfully close to
11 some of the sanctuary areas that we have set aside. And this
12 is really why I think it is important that we get this out
13 early and quick to the Commission.

14 CHAIRMAN CORY: What is the time frame? Will we
15 have another Commission meeting in which we can be brought
16 abreast of what the details are?

17 MR. NORTHROP: Yes. We have one more, one or two
18 more, but I would like to get us going as soon as possible
19 because I am sure that the Commission will want to take some
20 possibly political action on this with the Washington
21 delegation with the Department of the Interior.

22 CHAIRMAN CORY: Is the staff working on the question
23 of what environmental protection procedures we should engage
24 should the Commission want to allow a pipeline across State
25 tidelands?

1 MR. NORTHROP: Yes, sir, we are. We have also re-
2 ceived, unofficially, an inquiry on Tuesday of this week
3 from the Department of the Interior asking if we would be
4 interested, when the offshore continental drilling was done,
5 if the State would be interested in acting as an enforcement
6 arm, either for the Federal Government or with the Federal
7 Government, in this area.

8 I have sent to each one of you under separate
9 cover in the last couple of days a copy of that, as well as
10 transmitting it to the Resources, who will, I assume,
11 transmit it to the Governor.

12 CHAIRMAN CORY: I don't recall having seen that.

13 COMMISSIONER BELL: I have not seen it yet.

14 MR. NORTHROP: Okay.

15 COMMISSIONER BELL: Mr. Chairman, may I ask a ques-
16 tion?

17 CHAIRMAN CORY: Mr. Bell.

18 COMMISSIONER BELL: In this regard, Mr. Northrop,
19 the Federal Government was originally anticipating a buffer
20 zone of, as I recall it, three-quarters of a mile between
21 our property and so-called federal property on the outer
22 continental shelf in Santa Monica Bay. Is there any change
23 to that buffer zone, do you know?

24 MR. NORTHROP: Well, the buffer zone is still there,
25 but the question arises now, and it is a really valid question,

1 whether the configuration of the deposits, the oil deposits,
2 will respect three-quarters of a mile.

3 COMMISSIONER BELL: Yes.

4 MR. NORTHROP: And that's the problem. And the
5 hardest areas, from what our staff tells me, could well be
6 off the San Pedro and Santa Monica sanctuary, because we
7 know there is every indication that that is a very good
8 area.

9 COMMISSIONER BELL: And there is, in the
10 moratorium law, the fact that if the Federal Government
11 starts to drain our oil fields, we have to drill to save our
12 oil?

13 MR. EVERITTS: Not in that particular sanctuary.
14 The Santa Monica sanctuary has got a special restriction in
15 it where you can only drill in the first mile offshore, so
16 if the Fed's were drilling some two miles, we couldn't do
17 anything about it under existing legislation.

18 MR. NORTHROP: I am sure, Mr. Bell, that if we
19 were being offset by the Federal Government, the Legislature
20 would take a quick look at that if the Federal Government
21 didn't make some kind of an arrangement to compensate us for
22 it.

23 Thank you, Mr. Chairman. That concludes my report.

24 CHAIRMAN CORY: Any questions at this time?

25 Okay. Let's go to Item 4 on the agenda.

1 The first item is the City of Larkspur permit.

2 MR. NORTHROP: I don't think anyone is appearing
3 on this, Mr. Chairman. It is a maintenance of an existing
4 18-foot sewage force main.

5 CHAIRMAN CORY: Any questions?

6 Without objection, we will approve the permit.

7 That will be the order.

8 Item (B).

9 MR. NORTHROP: Mr. Chairman, Item 4(B), 5(A) and
10 (B) probably should be considered as a unit because we have
11 here a bridge that is being removed and replaced by a newer
12 span. And in the interim period while the construction is
13 going on they have asked for a right-of-way to add a telephone
14 line and electric line and a gas line. And when the new
15 bridge is constructed, then it will be attached to the
16 bridge as it was on the old bridge, or if that is the way of
17 doing it, because it is a matter of convenience.

18 CHAIRMAN CORY: Any questions?

19 COMMISSIONER BELL: No. This is strictly a
20 temporary deal?

21 MR. NORTHROP: This is strictly temporary, yes.

22 CHAIRMAN CORY: Without objection, 4(B), 5(A) and
23 (B) will be approved as presented.

24 I notice that Pacific Gas & Electric and Southern
25 California Gas Company are paying a \$100 fee permit and

1 Pacific Telephone is apparently exempt by Public Utility
2 Code Section 7901. What do they do, make a distinction
3 between the kind of utility company?

4 MR. GOLDEN: Yes.

5 CHAIRMAN CORY: Is it the distinction based upon --

6 MR. TROUT: Communication.

7 CHAIRMAN CORY: Communication is exempt?

8 I think it might be wise for the staff, informally,
9 to make some inquiry of some of the Legislators as to whether
10 or not they really believe that is a valid distinction in
11 terms of public policy. I don't know whether they should
12 both be exempt or both pay, but it's the kind of thing that
13 I would imagine nobody has looked at.

14 It seems to lack the bilateral symmetry that most
15 things have in the world.

16 MR. NORTHROP: We will proceed and bring it to the
17 attention of the appropriate legislative people and be back
18 to you as to what is to be done.

19 CHAIRMAN CORY: 5(C).

20 MR. NORTHROP: 5(C), Mr. Chairman --

21 CHAIRMAN CORY: These are 10-year Recreational
22 Pier Permits. Any problems with any of them?

23 MR. NORTHROP: No, sir.

24 (Thereupon a short discussion was held off the
25 record.)

1 LIEUTENANT GOVERNOR DYMALLY: I move their
2 approval.

3 CHAIRMAN CORY: Mr. Dymally moves and Mr. Cory
4 seconds that 5(C) be approved. Let the record note that that
5 was a 2-to-nothing vote with Mr. Bell abstaining.

6 Item 6(A), application of Burmah Oil and Gas for
7 drilling new wells. Is this as originally stated?

8 MR. NORTHROP: No. This is deleted as we discussed
9 it.

10 CHAIRMAN CORY: Is there any discussion on the part
11 of the applicant or anything we need to know about it?

12 MR. NORTHROP: No.

13 No offerings, fine.

14 CHAIRMAN CORY: These are on the uplands there at
15 Huntington Beach, right?

16 MR. NORTHROP: Yes.

17 CHAIRMAN CORY: Fine.

18 MR. NORTHROP: They are either drilled to protect
19 the reservoir or drilled because --

20 CHAIRMAN CORY: Without objection, 6(A) will be
21 approved. Such will be the order.

22 6(B). That is the trona lease at Owens Lake.

23 MR. NORTHROP: Yes, sir.

24 CHAIRMAN CORY: And that is the one where you sent
25 us the Environmental Report on and all the stuff?

1 MR. NORTHROP: Yes.

2 CHAIRMAN CORY: Any questions by members of the
3 Commission?

4 COMMISSIONER BELL: No.

5 CHAIRMAN CORY: Get a little money from it?

6 COMMISSIONER BELL: I read through the EIR very
7 thoroughly and it sounds like a very practical thing.

8 CHAIRMAN CORY: Without objection, 6(B) will be
9 approved as presented.

10 6(C). This is a core permit for testing, and the
11 Commission will get the full data from the coring?

12 MR. NORTHROP: As soon as the coring is through
13 an EIR can be prepared.

14 CHAIRMAN CORY: Okay. Is there any question on
15 this one by anybody?

16 Without objection, it will be approved as presented.
17 Such will be the order.

18 7(A). Okay. Mr. Northrop, this is the item where
19 we are requested to authorize the Executive Officer to
20 employ counsel in Washington to help us deal with the
21 federal bureaucracy, the FEA?

22 MR. NORTHROP: Yes, and the firm has been very
23 effective in helping us.

24 CHAIRMAN CORY: Is that drafted so that as they
25 change the alphabet soup from FEA to --

1 MR. NORTHROP: Yes, it is, sir.

2 CHAIRMAN CORY: -- Energy, Oil or Emergency Oil,
3 or whatever, they can still keep working?

4 MR. NORTHROP: Yes, it is.

5 CHAIRMAN CORY: Because we are about ready for a
6 new phase, aren't we?

7 Any questions by members of the Commission?

8 COMMISSIONER BELL: Now, the description here is
9 rather broad. It is not limited to the FEA. I note that
10 it is only through June 30.

11 MR. NORTHROP: Yes. I really can't permit funds
12 of --

13 CHAIRMAN CORY: The other items should be handled
14 in the budget.

15 COMMISSIONER BELL: Not only that, but I think we
16 want to explore the possibility of establishing a more
17 effective Washington office for the State of California.

18 LIEUTENANT GOVERNOR DYMALLY: Good idea.

19 COMMISSIONER BELL: And that wouldn't just be for
20 the State Lands Commission. My Deputy Director in Washington
21 is at present vacant and we want to take a look at it and
22 set it up for the benefit of everybody and not just a few
23 people.

24 CHAIRMAN CORY: Is that fine with you?

25 MR. NORTHROP: Yes.

1 CHAIRMAN CORY: And that is not a flat amount, it
2 is an hourly basis?

3 MR. NORTHROP: This is an interim amount and if we
4 don't use it, it will be refunded.

5 CHAIRMAN CORY: It is an hourly basis, not a flat
6 fee?

7 MR. NORTHROP: No, it is a flat fee, sir.

8 CHAIRMAN CORY: It is \$10,000 flat fee until that
9 time?

10 MR. NORTHROP: Yes.

11 COMMISSIONER BELL: Is this a retainer only? Is
12 there additional charges?

13 MR. NORTHROP: No additional charges. This is it.
14 (Thereupon a short discussion was held off the
15 record.)

16 CHAIRMAN CORY: Without objection, item (A) is
17 approved.

18 Item (B). This is the Executive Officer wanting
19 some ripoff for Western States Land Commissioners Education
20 Association.

21 LIEUTENANT GOVERNOR DYMALLY: No objection.

22 COMMISSIONER BELL: There's no money involved.

23 CHAIRMAN CORY: No money involved.

24 COMMISSIONER BELL: I was assured there was no
25 money. That's all I know. Because of that, I approved.

1 CHAIRMAN CORY: Without objection, 7(B) will be
2 approved. Such will be the order.

3 8(A), Boundary Line Agreement, Anza Pacific
4 Corporation.

5 MR. NORTHROP: Mr. Chairman, this is a boundary
6 line agreement that has been approved and we have now had to
7 see that they have met the criteria as set down by the
8 Commission action and they have.

9 CHAIRMAN CORY: So this is actually checking metes
10 and bounds?

11 MR. TAYLOR: Well, in this particular situation --

12 CHAIRMAN CORY: And they have them physically
13 checked?

14 MR. TAYLOR: Yes.

15 MR. NORTHROP: Yes.

16 CHAIRMAN CORY: Is that done, just for my own
17 education, is that done by a licensed engineer?

18 MR. GOLDEN: Yes, it was. He is on our staff.

19 CHAIRMAN CORY: Right. Any other questions?

20 Without objection, 8(A) will be approved as pre-
21 sented. Such will be the order.

22 9.

23 MR. NORTHROP: This is an item that will appear
24 probably off and on on the agenda, gentlemen. We must check
25 substantial compliance with terms of the trust for tide and

1 submerged lands, and we have found that the City of Imperial
2 Beach has complied.

3 CHAIRMAN CORY: Any questions?

4 COMMISSIONER BELL: Standard boiler plate in this
5 area?

6 MR. NORTHROP: Yes.

7 CHAIRMAN CORY: Without objection, 9(A) will be
8 approved as presented. Such will be the order.

9 10(A), sale of vacant State school land.

10 MR. NORTHROP: Jim Trout will make a presentation
11 on this, Mr. Chairman.

12 MR. TROUT: I'd like to direct your attention over
13 here to kind of a plat and I'd like to start out by saying
14 that in the dark and distant past, prehistoric, there was a
15 provision whereby the public could find a piece of property
16 that they liked, come in and ask the State to acquire it
17 from the Federal Government, and in turn be sold to the
18 applicant. In this case, in 1956, Dr. Joergenson located
19 this parcel of land which is in Trinity County. This
20 is Weaverville, if you are familiar with Highway 299, that
21 comes down and goes between Eureka and Redding. The site
22 is located southeast at this location.

23 In 1956, Dr. Joergenson asked that the State
24 acquire this piece of property for sale to him. Application
25 was made by exchange with the Bureau of Land Management for

1 some land in the Trinity National Forest, and in 1970, the
2 State received title to this piece of property.

3 Mr. Joergenson, for that 14 years, had kept his
4 application in effect, kept money on deposit with the State,
5 and he then applied for the actual purchase of this piece of
6 property.

7 The property physically involves steep to moderately
8 steep slopes, second-growth or cutover Douglas fir on this
9 side, which is green, mixed hardwoods up in this area, and
10 a small meadow of about two acres that lies between Indian
11 Creek and a Forest Service road. The surrounding area is
12 owned by the Bureau of Land Management on this side. Dr.
13 Joergenson owns a parcel over here abutting the property.

14 The sale, however, had to be conducted under
15 present regulations of the Commission. This required an
16 environmental assessment and an Environmental Report was pre-
17 pared and circulated. As a result of that the Department
18 of Fish and Game indicated concern over the disposal of the
19 State's interest in Indian Creek. This creek is critical
20 to a steelhead and salmon hatchery. This hatchery has been
21 declining and had been indicated as a significant environ-
22 mental feature of this piece of property. As a result of that,
23 the Department of Fish and Game requested that the bed of
24 this creek be reserved to the people along with an access
25 from the public road down to the creek. Dr. Joergenson

1 agreed to this reservation from the State. He has also
2 agreed to pick up the cost of surveying this piece of
3 property and to absorb the reduction in value. As a result
4 of that, Fish and Game withdrew its objection to the sale
5 of the property seeing that the significant environmental
6 values had been reserved and protected.

7 That brings us basically to the sale. It has now
8 been 19 years since Dr. Joergenson first asked the State
9 to move in this area. This provision is no longer applicable
10 as a result of some sales to California cities a number of
11 years ago in which California cities developers selected a
12 rather large area and was subsequently sold. After that
13 the provision was eliminated.

14 So this, basically, is the proposal. The Depart-
15 ment of Fish and Game will annually, and, in fact, probably
16 more frequently than that, patrol this area. They intend to
17 keep the creek clear of obstructions and will probably use
18 this area for fisheries management, for planting and other
19 kinds of activities.

20 LIEUTENANT GOVERNOR DYMALLY: Is Dr. Joergenson
21 getting interest on his down payment?

22 MR. TROUT: No, he hasn't. Dr. Joergenson, I
23 understand, is ill with the flu and his son-in-law, Dr.
24 Olson, is in the audience and perhaps can answer some
25 specific questions.

1 CHAIRMAN CORY: A question about that access road.

2 MR. TROUT: Yes, sir.

3 CHAIRMAN CORY: That goes across the Bureau of
4 Land Management's property?

5 MR. TROUT: This road right here is a kind of a
6 dirt road. This is a fairly good Forest Service road --
7 Forest Service-type road. I'm not sure it was developed by
8 the Forest Service. This access would then provide the
9 public with a route down to the creek.

10 CHAIRMAN CORY: What I am concerned about is, if
11 the Bureau of Land Management decides that they don't want
12 people going across there, do we still have access for Fish
13 and Game that they requested, since it is not totally on the
14 property of which we are granting the patent on?

15 MR. TROUT: I would think not. It would be within
16 this described parcel right here.

17 CHAIRMAN CORY: Okay.

18 LIEUTENANT GOVERNOR DYMALLY: That little piece
19 there belongs to BLM?

20 MR. TROUT: This piece is on public domain land.

21 LIEUTENANT GOVERNOR DYMALLY: Is there any tract
22 straight down within our land?

23 MR. TROUT: There is none now. We could reserve
24 here. The problem that you run into is that you are still
25 not guaranteed access since the Bureau of Land Management

1 owns all the way around, and you have no guarantee that they
2 won't close it off somewhere back here.

3 CHAIRMAN CORY: We have got, at least according
4 to your map, a public road.

5 MR. TROUT: It is a road the public may use. It
6 is not a dedicated road. It is a road constructed and
7 maintained by the Federal Government for access into public
8 lands.

9 COMMISSIONER BELL: Probably a logging road at
10 one time.

11 MR. TROUT: Logging road, that is correct.

12 COMMISSIONER BELL: By the way, is this property
13 which originally was owned by BLM?

14 MR. TROUT: Yes.

15 COMMISSIONER BELL: And the State didn't get it
16 until what, three or four years ago?

17 MR. TROUT: We wouldn't have gotten it at all
18 except for Dr. Joergenson's request. And we received it in
19 1970. It was not part of the original schoolland entitle-
20 ment.

21 COMMISSIONER BELL: I only raise that because it
22 just seems like we really shouldn't take the blame for all
23 19 years, but perhaps only since 1970.

24 MR. TROUT: That is correct. We have moved as
25 rapidly as environmental provisions would allow us since we

1 acquired the property in 1970.

2 LIEUTENANT GOVERNOR DYMALLY: It takes a little
3 time to get things done around here.

4 (Laughter)

5 MR. TROUT: Especially when you have got environ-
6 mental considerations.

7 CHAIRMAN CORY: Any other questions?

8 LIEUTENANT GOVERNOR DYMALLY: Mr. Chairman, I am
9 favorably disposed to making a determination but I'd like
10 to get a little more information from Fish and Game. And
11 could we hear Dr. Joergenson's son-in-law, if it is
12 necessary, and then postpone final decision until the March
13 31 meeting so we would not have to have him come back then?

14 CHAIRMAN CORY: Do you want to just check and make
15 sure that they are happy with the right-of-way?

16 LIEUTENANT GOVERNOR DYMALLY: Yes.

17 MR. TROUT: I understand Dr. Olson is here.

18 CHAIRMAN CORY: Dr. Olson.

19 MR. OLSON: May I respond to that?

20 CHAIRMAN CORY: Yes.

21 MR. OLSON: The Department of Fish and Game met
22 with the Bureau of Land Management in Redding this past fall
23 and they both -- I think members from both departments came
24 out and surveyed the property. This property has been
25 surveyed twice for the State Lands Commission and for the

1 Fish and Game. It has changed because the easement was not
2 the easement that the Fish and Game wanted.

3 That road, that is a logging road, and the road is
4 only about 15 feet. It doesn't look like it, from the
5 property line to that logging road, if you understand what I
6 mean. It is that line which would be the eastern line of
7 the property. Do you understand?

8 LIEUTENANT GOVERNOR DYMALLY: Yes, sir.

9 MR. OLSON: And so, you could easily --

10 LIEUTENANT GOVERNOR DYMALLY: Cut something up
11 there, right.

12 MR. OLSON: Right.

13 MR. TROUT: I can state that the Department of
14 Fish and Game is entirely satisfied with this proposal. We
15 have a letter from them.

16 CHAIRMAN CORY: Governor, I think you just want to
17 make sure that whether or not, before we get to the final
18 approval, whether or not we need to reserve something on
19 the east boundary --

20 LIEUTENANT GOVERNOR DYMALLY: Yes, to be sure --

21 CHAIRMAN CORY: -- to permit it. And that is
22 really a perfunctory thing and you probably don't need to
23 come back. You can consider it done. But rather than us
24 doing the final thing at this meeting, the Governor would
25 like to be satisfied and just wait and see. You have been

1 waiting 19 years and you are going to probably have to wait
2 another 30 days.

3 MR. OLSON: Thank you.

4 CHAIRMAN CORY: All right.

5 MR. TROUT: Do I understand it is the wish of the
6 Commission to extend this up to this road?

7 LIEUTENANT GOVERNOR DYMALLY: That is correct.

8 CHAIRMAN CORY: Or find out the needs that are
9 there. I think the Governor -- you can get him in touch with
10 somebody at Fish and Game to ascertain whether or not that
11 is necessary.

12 MR. TROUT: We will check that out. It is our
13 understanding that this is acceptable.

14 CHAIRMAN CORY: And assuming that it is, then it
15 would be a perfunctory item on the next agenda so that --

16 COMMISSIONER BELL: Mr. Olson won't have to appear.

17 CHAIRMAN CORY: Yes. Without objection, we will
18 put 10(A) over until the next meeting.

19 11(A), Termination of Easement for Commerce,
20 Navigation and Fisheries and Approval of Exchange of Lands
21 for the City of Eureka, Humboldt County.

22 Do we have some guests who wish to speak?

23 MR. NORTHROP: Yes, we have some guests from the
24 City of Eureka, from the law firm which represents them.

25 LIEUTENANT GOVERNOR DYMALLY: Before we get into

1 that, I would like to, because I think that would take some
2 time, just to enter into the record a statement which I have
3 prepared, and the statement has to do mostly with the role of
4 the Commission and what I view as part of our new responsi-
5 bilities, based on the fact that, in the past, we have
6 routinely approved staff recommendations. And it seems to
7 me that in every meeting the Commission ought to allocate
8 a certain amount of time where we could begin to develop
9 long-range policy issues for the benefit of the public and
10 for ourselves.

11 And the first one I would like to have on the
12 agenda next month is the whole question of legislation be-
13 cause I observe with some interest some large numbers of
14 bills that have been introduced that affect the future
15 operation of this Commission. I think it would be important
16 and beneficial for the Commission to begin to look at that.

17 So I have a statement. I will just read the last
18 paragraph and I will have copies available for the press.

19 "I, therefore, propose that a major
20 part of future meetings of the Commission
21 be devoted to a discussion in-depth of the
22 major problems which are now, or may in the
23 near future, be facing the State Lands
24 Division as well as some historical back-
25 ground on major land use issues... These

1 briefings should be both for the benefit
2 of ourselves as Commissioners and for the
3 public."

4 I'd like to get in the future the whole question
5 of land use and a number of other issues.

6 COMMISSIONER BELL: Good idea.

7 CHAIRMAN CORY: Without objection, the staff will
8 please be advised to proceed on that. And you probably
9 should look at how, while you are doing that, how that
10 relates to the whole agenda, whether we do it prior or
11 whether we rearrange the whole agenda to make it part of the
12 administration or Executive Officer or part of the house-
13 keeping function or whatever. But try to use some flexibility
14 so that it fits in a logical manner rather than being bound
15 by an inflexible agenda.

16 MR. NORTHROP: Mr. Chairman, Governor, the staff
17 will take that and take the necessary steps.

18 CHAIRMAN CORY: Shall we go ahead with 11(A)?

19 MR. TROUT: Mr. Chairman, the City of Eureka is
20 present, and Mr. Alvin Kaufer, who is with a private law
21 firm and who has been hired as an expert, would like to
22 discuss what the City of Eureka is doing.

23 If we in the staff might do two things before
24 that? One, in your folder is a map, parcel map, prepared by
25 the City of Eureka, which may make it a little easier for

1 you to understand the stuff that is on the wall here.

2 So, we will let the City go ahead.

3 CHAIRMAN CORY: Mr. Trout, the staff is satisfied
4 in terms of the final negotiations as to what we are doing?

5 MR. TROUT: Yes, the staff is satisfied. And I
6 didn't know just what order the presentation would be, but
7 the map that is in your folder would be a substitute for
8 the legal descriptions that are in your calendar, as
9 discussed in the calendar.

10 MR. NORTHROP: Mr. Chairman, in the calendar there
11 was some degree of a gray area as to this boundary line
12 description, and I think as Mr. Trout is pointing out now,
13 that we have that firmed up and there is no longer any doubt
14 in our mind.

15 CHAIRMAN CORY: This is the boundary to which we
16 are talking --

17 MR. TROUT: That is correct.

18 CHAIRMAN CORY: -- rather than the calendar item.

19 MR. TROUT: The differences between that map, and
20 the descriptions attached to it, and that in the calendar
21 item are insignificant. They are very small technical ad-
22 justments.

23 CHAIRMAN CORY: Okay. And the Attorney General is
24 satisfied that this meets the terms and conditions of the
25 case law in terms of exchange?

1 MR. TAYLOR: Yes, Mr. Cory, we are.

2 LIEUTENANT GOVERNOR DYMALLY: Just one question.
3 Is one out in the water or do you have two? I see two --

4 MR. TROUT: Perhaps, Governor, we might rearrange
5 it a little bit and perhaps I could just explain this over-
6 all setting here. First, I think we want to direct the
7 Commission's attention to the fact that there are some 60
8 grantees in the State to which the Legislature has transferred
9 an administrative jurisdiction of the tide and submerged
10 lands.

11 Certainly, one of the better grantees is the
12 City of Eureka.

13 The problem is that historically the whole water-
14 front was sold off in a series of rather confused transactions
15 from statutes dating way back, and therefore, the whole
16 waterfront area, as the City will explain, is just really in
17 a confused title situation.

18 The last natural tidelines can't be determined,
19 and as a result, in 1970, the Legislature authorized settle-
20 ment of title problems by the City of Eureka provided they
21 were submitted to the Lands Commission for approval.

22 What the Lands Commission has been asked to do in
23 all settlements in this area, and which this is the second
24 of a series, is to review the consideration and to verify
25 that the property from which the tidelines trust might be

1 removed is actually above today's mean high tidelines.

2 Now, Louisiana Pacific contends that it owns, under
3 various State patents, all of the area outlined in red, or
4 parcels 1 through 5. The City contends that all of these
5 are tidelines subject to the trust. Therefore, there is a
6 real conflict. The total area within the red lines, or
7 parcels 1 through 5 on your map, is 57 acres.

8 The City filed litigation and as a result of the
9 evaluating, the completion of that, they and the Louisiana
10 Pacific Company have entered into a settlement agreement
11 which is before you for approval. Under this agreement the
12 City would get parcel 1, which includes this dry area and
13 this area and this wet area out in here. They would receive
14 a quit-claim deed from Louisiana Pacific. They would also
15 get a dock that is worth, according to the City Engineer's
16 estimate, in excess of \$500,000. I believe it is that mark
17 there.

18 The City also will be getting an option on parcels
19 2, 4 and 5. Now, it should be pointed out that that option
20 was not part of the consideration and that your staff has
21 not reviewed that option or the values which the City has
22 an option to purchase it for.

23 Now, the parcels that Louisiana Pacific would get
24 would be this parcel 3, primarily, and this is the parcel
25 from which the trust is to be lifted. And I have already

1 responded to the Chairman's question and the staff recommends
2 approval.

3 LIEUTENANT GOVERNOR DYMALLY: And the Attorney
4 General has okayed it?

5 MR. TAYLOR: Yes, it has been reviewed by our
6 officer, Governor, and we have approved it.

7 MR. TROUT: I believe Mr. Al Kaufer of Nossaman,
8 Waters -- they changed their name. I have forgotten what it
9 is. He is the special counsel hired by the City.

10 LIEUTENANT GOVERNOR DYMALLY: Tell the special
11 counsel he is ahead, okay.

12 (Laughter)

13 MR. KAUFER: Would the Commission prefer that I
14 not make comments today?

15 LIEUTENANT GOVERNOR DYMALLY: Yes.

16 (Laughter)

17 CHAIRMAN CORY: Is there anyone that has any
18 opposition to the proposed clarification? Because, if there
19 is anyone here that has any qualms or concerns about any of
20 the considerations of this, we would like to hear from them,
21 and if so, we will go into the hearing of their grievances.
22 If not, given the length of time that has already been put
23 in and the fact that each of the Commissioners has
24 individually studied this for, I think, in excess of an hour
25 or two hours apiece -- there is something that I learned in

1 the Legislature. If you got the votes, there is no sense
2 in talking.

3 MR. KAUFER: I have learned that in court.

4 LIEUTENANT GOVERNOR DYMALLY: I move approval.

5 CHAIRMAN CORY: Governor Dymally moves approval.

6 COMMISSIONER BELL: Second.

7 CHAIRMAN CORY: Mr. Bell seconds. And let the
8 record show that there is no one to speak in opposition. The
9 only concerns that I have relate to the polluting that is
10 going on across the bay in that picture.

11 (Laughter)

12 COMMISSIONER BELL: By that redwood mill over
13 there that is across the bay.

14 CHAIRMAN CORY: Without objection, Item 11(A) will
15 be approved as presented.

16 Okay. 12(A). We have information on major
17 litigation.

18 MR. TAYLOR: Mr. Chairman, I believe it is all
19 self-explanatory in the back of the matter. There was only
20 recent litigation of interest that we are not a party to
21 but which came down this last week was a ruling of
22 the emergency court, that the two-price system of new oil
23 and old oil was not proper. The Federal Government is
24 appealing that to the Supreme Court. It does create a
25 considerable amount of confusion as to oil pricing in the

1 United States.

2 CHAIRMAN CORY: If that position is sustained --
3 which have they ruled as invalid, the new oil or the old
4 oil?

5 MR. TAYLOR: The new oil price.

6 CHAIRMAN CORY: So it would be a roll back to the
7 old price and it would put, in essence, more significance to
8 our application in terms of the gravity differential.

9 MR. NORTHROP: And the stripper well was not
10 affected on this because it had been established. They had
11 identified it.

12 CHAIRMAN CORY: That is an acceptable class, is
13 it?

14 MR. TAYLOR: The problem with the new and released
15 was that, new oil was, that by saying there was no regula-
16 tion on it, that that was not in compliance with the Federal
17 statute. It was a two-to-one decision.

18 I am sure, because of the accounting problems it
19 is going to raise throughout the United States, that the
20 Federal Government will take a very vigorous appeal to the
21 Supreme Court. It will have, if the opinion stands, it will
22 have an effect on all of our pending FEA appeals.

23 We are proceeding on the basis of the Federal
24 Government going to be successful before the Supreme Court.

25 CHAIRMAN CORY: Should we consider airing that

1 decision anyway?

2 MR. TAYLOR: We are still studying the opinion.
3 We only received it two days ago and we will be in touch
4 with Mr. Northrop for his advice.

5 MR. NORTHROP: I have also asked them to perhaps
6 move with steps -- I think you had better address yourself
7 to the other case.

8 MR. TAYLOR: There was a ninth Circuit opinion
9 that also came down the day before yesterday concerning the
10 Gulf Oil versus Morton and Morton versus Gulf Oil, regarding
11 drilling and the moratorium of the Federal Government or
12 the Santa Barbara channel. The Court has indicated that if
13 a good reason for the delay of further development of oil is
14 not given by the Federal Court in the remand to the trial
15 court, that there has been a taking, and that it would be an
16 inverse condemnation situation which the Federal Government
17 would be facing.

18 There has been the remand, as we understand it
19 from the newspaper comments, and we will have a copy of the
20 opinion brought over today from San Francisco. The ninth
21 Circuit has sent the case back to the Federal District Court
22 to make a determination as to the basis upon which the
23 Federal Government prohibited them from going forward. This
24 case is similar to the situation faced by the State of
25 California in connection with some of the leases we have in

1 the Santa Barbara channel, and we are watching the case with
2 interest.

3 And Mr. Northrop has indicated a desire that we
4 study the situation to determine if there is an appropriate
5 way that the State may intervene in the matter. At this
6 point we don't know the procedural status. If it is being
7 sent back to the trial court and there is any appeal pending,
8 it would mean getting involved in a trial. I don't know
9 whether we want to do that. If it is going to the Supreme
10 Court, it would be a little easier to make that decision.
11 But we will be in touch with Mr. Northrop.

12 MR. NORTHROP: Our exposure on this could be
13 considerable.

14 MR. TAYLOR: It has been a rather significant
15 week, but in matters that we have not been directly involved
16 in.

17 CHAIRMAN CORY: Any other questions about any of
18 the other litigation?

19 COMMISSIONER BELL: I don't see any problems.

20 CHAIRMAN CORY: All right. Any further comments?

21 MR. NORTHROP: You have already taken care of 13.

22 CHAIRMAN CORY: Are there any other items to come
23 before the Commission at this time?

24 If not, we will stand adjourned.

25 Before we do that, if we have in one of those

1 suits, or we need action, we can call a meeting prior to
2 that with proper notice or not?

3 MR. NORTHROP: Yes, we can. All we need is a
4 seven-day notice. We can call a meeting any time.

5 This is just the next formal meeting.

6 CHAIRMAN CORY: The next regular meeting will be
7 held on the 31st as noted at the beginning of the meeting.

8 We stand adjourned.

9 (Thereupon the February 27th meeting of
10 the State Lands Commission was adjourned
11 at 11:10 a.m.)
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1 State of California)
2 County of Sacramento) ss.

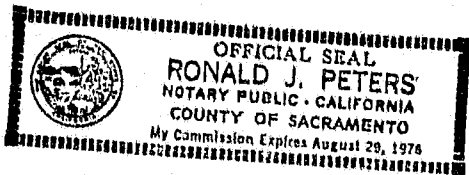
3 I, RONALD J. PETERS, a Notary Public in and for
4 the County of Sacramento, State of California, duly
5 appointed and commissioned to administer oaths, do hereby
6 certify:

7 That I am a disinterested person herein; that the
8 foregoing State Lands Commission Meeting was reported in
9 shorthand by me, Ronald J. Peters, a Certified Shorthand
10 Reporter of the State of California, and thereafter
11 transcribed into typewriting.

12 I further certify that I am not of counsel or
13 attorney for either or any of the parties to said meeting,
14 nor in any way interested in the outcome of the cause in
15 said caption.

16 IN WITNESS WHEREOF, I have hereunto set my hand
17 and affixed my seal of office this 11TH day of March,
18 1975.

19 *Ronald J. Peters*
20 _____
21 RONALD J. PETERS, C.S.R.



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