

1 LONG BEACH, CALIFORNIA, WEDNESDAY, APRIL 30, 1975

2 10:00 A. M.

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4 MR. CORY: We'll call the meeting of the State  
5 Lands Commission to order.

6 The secretary will note that all the  
7 members are present. And I understand that Mr. Lingle has  
8 a message for us. Mr. Lingle.

9 MR. LINGLE: Gentlemen, we want to welcome you  
10 to Long Beach. It was left to me. I've been the City's  
11 spokesman before this body for nearly 19 years. This is the  
12 first time the Lands Commission has ever met in Long Beach.  
13 I suppose there were times when we hoped that you would never  
14 meet in Long Beach, to be perfectly candid about it. But,  
15 indeed, I think we've all become realistic. We know that we  
16 must cooperate and work together. We are proud -- we're  
17 very proud of this port. We're proud of the marina, and we're  
18 particularly proud of our stewardship of our oil fields.

19 I think that you realize that the State  
20 will probably realize in the neighborhood of \$100,000,000 --  
21 assuming that the prices are correct -- this year.

22 You know that we've done a pretty good  
23 job trying to run the oil fields as your steward.

24 Welcome to Long Beach.

25 MR. CORY: Thank you, Mr. Lingle.

26 The first item on the agenda is the  
27 confirmation of the minutes of the meeting of March 31st.  
28 Without objection of staff, we'll go over those also.

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MR. NORTHROP: Yes, sir.

MR. CORY: You have the minutes without objection; will be confirmed as presented.

The next item is reported by the executive officer Mr. Northrop.

MR. NORTHROP: I have a few informational items, Mr. Chairman, including a response to Governor Dymally's suggestion last month on requirements for recreational pier and marina leases granted by the Commission.

I also have a detailed report to make to you on Item 11A. And with your permission, in addition to that I would have comments that I would like to make at the proper time on Items 9 and 14.

At the last commission meeting, Governor Dymally suggested incorporating into the leases or lease renewals for recreational piers or marinas occupying state lands, a condition of termination by the State Lands Division.

He suggested that such condition would be exercised if and when the appropriate planning agency adopted a plan under which the pier or marina structures would be nonconforming.

To meet Governor Dymally's objectives, yet still provide firm-term leases, the staff has suggested the possibility of reducing the lease period from the present ten years to five years.

1 Under normal zoning processes, such a  
2 five-year period would not extend private occupancy unduly  
3 beyond usual planning periods. In this way, the Commission  
4 could deny further permits or remove non-conforming structures,  
5 and no structures will be contrary to local planning for more  
6 than just a few years. Staff review indicates that private  
7 and commercial recreational pier or marina leases are  
8 usually located in areas zoned for public recreational use  
9 and appear to present little problem of non-conforming use.

10 There is an additional consideration for  
11 marinas. Amortization periods necessary to finance major  
12 marina developments usually require fairly long periods of  
13 firm occupancy to guarantee pay-out.

14 Governor Dymally's objectives are  
15 met in the normal contract provisions of such leases, which  
16 require compliance with reasonable local regulations, and  
17 which are adopted only after Commission approval.

18 If the Commission concurs with staff  
19 review and suggestion for a shorter lease term, such  
20 reduction to five years can be considered as part of the  
21 proposed new regulations now out for public comment.

22 As you know, one public hearing on  
23 proposed amendments to our regulations was held in Sacramento  
24 the day before yesterday. Another will be held here in  
25 Long Beach on Friday. After public comment and testimony  
26 has been incorporated, staff will bring the proposed regula-  
27 tion amendments before the Commission for consideration and  
28 action.

1                   In addition to this, we will also bring  
2 some of the pertinent comments.

3                   The second thing I'd like to discuss,  
4 if the Commission has any action on this. Does that satisfy  
5 your request, Governor Dymally?

6                   MR. DYMALLY: Yes.

7                   MR. BELL: Yes.

8                   MR. NORTHROP: The reason we were going for  
9 that time is to give them a chance to actually get some  
10 kind of financing. It would be difficult for any institution  
11 to finance on anything shorter than that. We have shortened  
12 the term to give us a chance to finance, and leave  
13 perpetuities to the peer groups.

14                  MR. BELL: Seems logical.

15                  MR. NORTHROP: Second thing I'd like to  
16 discuss, Mr. Chairman and the members, is the coastal zone  
17 plan report. State Lands Division staff is presently  
18 critiquing the recently issued preliminary coastal plan  
19 prepared by the California Coastal Zone Conservation  
20 Commission. Public hearings on the proposed plan have  
21 already begun, and are scheduled in all of the coastal  
22 counties. These hearings are scheduled for completion by  
23 the end of May. Proposed policies contained in the  
24 preliminary plan are scheduled for adoption by the Coastal  
25 Commission in July, 1975.

26                  The third thing I'd like to discuss, in  
27 passing Mr. Lingle indicated the cooperation of Long Beach,  
28 and at the present time I am currently meeting with the city

1 manager of Long Beach in an effort to resolve some long-  
2 standing problems on the valuation of Long Beach tidelands  
3 dry gas.

4 I had hoped to bring the Commission a  
5 completed program before we were in Long Beach; however, we  
6 have developed some last-minute snags, and we're now trying  
7 to work out the language. We hope that we will be able to  
8 put that on the agenda next time. The ultimate thing I'd  
9 like to discuss in this report, Mr. Chairman, is the U. S.  
10 Corps of Engineers public notice. In 1968, Union Oil  
11 Company received approval from the Secretary of Interior and  
12 a permit from the Corps of Engineers to install a third  
13 platform in federal outer continental shelf waters, Platform C.

14 With the blowout in 1969, the federal  
15 government suspended all activities on that lease, and in  
16 1971 notified the Union that they would not be allowed to  
17 install Platform C because it would interfere with the  
18 government's plan for a sanctuary area. In addition, the  
19 Corps permit had expired.

20 Union filed suit against the Department  
21 of Interior seeking to proceed with the installation of  
22 Platform C. The Court of Appeals remanded the case to the  
23 Federal District Court in Los Angeles and instructed the  
24 Department of Interior to file an explanatory statement  
25 of its actions. Unless satisfactory explanation is forth-  
26 coming, the Court has held that a moratorium cannot be  
27 imposed on Platform C. Union has now applied to the Corps  
28 of Engineers for another permit. State Lands has received

1 a public notice asking for any comments the State may have.<sup>8</sup>  
2 The Corps has stated they intend to consider only naviga-  
3 tion, national security, in reviewing the Union's application.

4 The Commission might wish to comment  
5 on this public notice in view of the following facts: This  
6 action would accelerate drilling in the channel without  
7 due consideration for the state policies and procedures.  
8 We have considerable oil still leaking from Platform A.  
9 Adding a new platform in this area would have an unfortunate  
10 aesthetic impact. The State's present stringent procedures  
11 for containment and recovery should be fully considered by  
12 the Feds before such a platform is issued.

13 Mr. Chairman, I brought this to the  
14 Commission's attention because I believe -- as executive  
15 officer, I believe the Commission or the staff should  
16 respond to this coverage, these points that we just men-  
17 tioned.

18 MR. CORY: If they're limiting the testimony  
19 to the other items, how would you be permitted to -- anybody  
20 be -- to deal with another subject?

21 MR. NORTHROP: I believe that navigation could  
22 well be considered in view of the fact that the leaks are  
23 there, and it behooves the Feds, in apparently all the off-  
24 shore drilling, Mr. Chairman, to consider only those things  
25 which they have difficulty in objecting to.

26 But I would like to go on record for  
27 the Commission, or have the Commission on record, or  
28 perhaps individually the members would like to address

1 themselves as well.

2 MR. CORY: What, by just instructing the  
3 staff to appear or --

4 MR. NORTHROP: It would take at least communi-  
5 cation with the Feds in this problem.

6 MR. TAYLOR: It's normal that comments from  
7 all affected agencies, both Federal and State, are forwarded  
8 to the Corps. And in this way you could file an answer  
9 both to objections, to the limitation of the hearings, scope,  
10 and also giving the comments Mr. Northrop has suggested if  
11 the staff finds that those are valid after investigation.

12 MR. NORTHROP: C will be in a line, Mr.  
13 Bell, with -- as Mr. Dymally -- Governor Dymally can comment  
14 on, as he was out there yesterday.

15 MR. BELL: This is one where the line just  
16 goes straight out --

17 MR. NORTHROP: Yes; right.

18 MR. BELL: This would be further south?

19 MR. NORTHROP: Yes, right.

20 MR. BELL: Geologic Hazard decided that it  
21 is not as severe as A?

22 MR. NORTHROP: I don't believe at the time  
23 Platform C was first awarded, Mr. Bell, they went into  
24 the department with an environmental studies that they're  
25 currently going into. And I'm really not prepared to  
26 address myself.

27 To answer the question, my initial  
28 reaction would be, I don't think there will be any

1 decisive work to be done in the line coming ashore from  
2 the Exxon offshore.

3 MR. BELL: I certainly would agree to at  
4 least have the staff pursue it.

5 MR. CORY: Without objection, consider  
6 that your authorization.

7 MR. NORTHROP: Thank you very kindly.

8 One more item, Mr. Chairman.

9 There are three pieces of legislation  
10 currently being under consideration in the Assembly.

11 One is AB 611, which would impose  
12 absolute liability for damage caused by oil and gas opera-  
13 tions within the coastal zone. If enacted, it would assure  
14 that damage or injury to the natural resources of the  
15 State -- they're compensated for.

16 AB 366 would give broad oil pollution  
17 control authority to the State Lands Commission and would  
18 require the State Lands Commission to license all oil  
19 terminal facilities and regulate such operations in order  
20 to prevent pollution of coastal waters.

21 And AB 45 would create a deep water  
22 ports division within the State Lands Commission in order  
23 for the State to regulate the construction and operation  
24 of deep water ports. This is considered to be declaratory  
25 of existing law and will clarify that the Commission is  
26 the major responsible organization to attend to these  
27 responsibilities.

28 I have before you a resolution that would



1 authorize us to proceed on those bases. I have discussed  
2 it with the Governor -- Lieutenant Governor, who is the  
3 chairman of the subcommittee on legislation, as you know.  
4 And the staff awaits your pleasure on these items.

5 MR. BELL: Mr. Chairman, I certainly agree  
6 with the resolution of AB 699 and 366.

7 I have a problem on AB 45, as you may  
8 be aware. The Governor's office and we are opposed to  
9 AB 45 because of the transfer of responsibility from  
10 Governor to the Commission. And because of that, I do have  
11 great reluctance in being able to vote for a resolution  
12 that has two good things and one bad thing in it.

13 MR. DYMALLY: You mean 699 and 366; why don't  
14 we separate 45 and deal with it separately.

15 MR. BELL: If we could at the moment, and take  
16 a vote on the resolution, I would like to do so.

17 MR. CORY: We'll take the resolution with  
18 the fourth whereas clause we deleted.

19 MR. NORTHROP: Yes, sir.

20 MR. CORY: Mr. Dymally moves and Mr. Bell  
21 seconds the adoption. Without objection, such will be  
22 the order.

23 We now have the question of AB 45  
24 before the Commission.

25 MR. NORTHROP: At the present time, Mr.  
26 Chairman, Governor, Mr. Bell, the deep water ports have --

27 I believe I'll address first myself  
28 to the objection by the Governor's office as has been



1 one.

2 Now, you have some questions?

3 MR. BELL: I just have one other question of  
4 the staff report of the executive officer.

5 I was curious to know how our parity  
6 price efforts are going?

7 MR. NORTHROP: Mr. Bell, I would --

8 I returned from Washington last week,  
9 and I had extensive conversations with Mr. Zarb. And I  
10 am amazed at his reaction. In his conversation he claims  
11 that the first time he'd ever heard about the parity  
12 problem was at a meeting at Town Hall in Long Beach, even  
13 though the congressional delegation, over half of them sent  
14 support letters, separate letters coming from the senators  
15 from -- representing California. We had meetings with  
16 Mr. Brock, director of department well property in Long  
17 Beach, and myself with the staff of FEA handling the  
18 problem, and quite frankly I was disappointed with the  
19 reaction that we got there. But we hopefully have Senator  
20 Cranston's office working on it now, attempting to help  
21 us with the problem.

22 I wish I had a more rosy picture,  
23 but it's very bleak.

24 MR. BELL: This was a reaction from the policy  
25 level rather than from a technical level?

26 MR. NORTHROP: That's true.

27 Mr. Bell, I have a hard time separating  
28 those.

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MR. CORY: Your pessimism --

MR. BELL: I'm sorry to hear your report.

MR. CORY: Your pessimism is based upon their ignorance or their reaction?

MR. BELL: Or both.

MR. NORTHROP: The kindest thing I could say, Mr. Chairman, is both.

MR. CORY: Did Mr. Zarb go beyond that, the fact that he hadn't heard until --

MR. NORTHROP: No, he didn't comment any further than that of its --

MR. CORY: It's a new problem?

MR. NORTHROP: It's a new problem to him. He's going to have to start from Square 1.

MR. CORY: Okay. But that's really a neutral, with respect to how he stands on it?

MR. NORTHROP: Yes.

MR. CORY: It's a function of the ignorance of a problem until very recently, and nothing's been done?

MR. NORTHROP: Yes, sir.

MR. CORY: Rather than him saying we are not interested.

MR. NORTHROP: He's ignorant of the problem, and that's perhaps our fault because we have not brought it to his attention before, sir.

MR. CORY: Okay.

Going on to agenda Item 4, permits, Department of Transportation.

1 MR. NORTHROP: This is a bridge serving State  
2 Route 8, Mr. Chairman, which is a --

3 MR. CORY: That's the one connected with the  
4 Yuma State Prison in the environmental impact report?

5 MR. NORTHROP: Yes, sir. Shared jointly.

6 MR. CORY: Is there anyone who opposed permit  
7 of the State Department of Transportation?

8 MR. DYMALLY: So ordered.

9 MR. BELL: Second.

10 MR. CORY: Mr. Dymally so moved; Bell second.  
11 Without objection, permit be approved.

12 Five A.

13 MR. NORTHROP: The next item, sir, is a  
14 Donner Pines, Incorporated. Use of the water from the  
15 Donner Lake for emergency fire purposes.

16 There seems to me we have no objection  
17 on this item.

18 MR. CORY: Is there any objection of Item 5A  
19 of the agenda for the permit application of Donner Pines,  
20 Incorporated?

21 MR. BELL: This is for --

22 This is not to provide water for that  
23 development up there?

24 MR. NORTHROP: It's just fire only, Mr. Bell,  
25 it's just strictly an emergency use until they can get  
26 their main in.

27 MR. CORY: They only use the water to burn it.

28 MR. BELL: Okay.

1 MR. CORY: Bell moves, Dymally seconds. Without  
2 objection, 5A will be approved.

3 Item 5B, United States Steel Corporation.

4 MR. NORTHROP: This is three parcels of land  
5 in the New York Slough in Pittsburgh area of the Contra  
6 Costa County.

7 The first parcel released by the  
8 United States Steel Corporation is for storage and levy  
9 maintenance. And the second is for the settling basin,  
10 and the third parcel is for the levy maintenance.

11 We've had no objection to this item.  
12 However, Mr. William A. Main of the United States Steel  
13 Corporation has indicated that he would be available to  
14 answer any questions on this item if we wish.

15 MR. CORY: Before we get to that, is there  
16 any objection to U.S. Steel's application in the audience?

17 Okay. Any questions of committee  
18 members?

19 MR. BELL: I have no questions.

20 MR. DYMALLY: No questions.

21 MR. CORY: Ready to -- Mr. Dymally moves and  
22 Bells seconds. Without objection, Item 5B will be approved.

23 5C, Alvin L. Stults.

24 MR. NORTHROP: This is a 1.25 acre parcel  
25 of tide and submerged land in the Sacramento River in the  
26 Freeport area. It's initial use authorized ten years and an  
27 additional period for five years.

28 However, we have set -- we are

1 requesting the Commission allow a consideration rental  
2 for \$361.26 until November, 1975, at which time we'll set  
3 a new rent. And the reason for this is -- this is rather  
4 an inexpensive rent for the first period -- is the fact  
5 we're attempting to bring all the rentals in that area into  
6 conformation at the same time and could probably well be  
7 argued that we're discriminating against one using it all  
8 up at one time.

9 MR. BELL: Then, we're going to change them  
10 all on November 15th; is that right?

11 MR. NORTHROP: Yes, sir.

12 MR. CORY: Have you discussed with the appli-  
13 cant, the order of magnitude of increase, so he's not  
14 going to be blind-sighted?

15 MR. NORTHROP: Yes, he understand the increase  
16 is going to be considerable.

17 The Chairman in discussion with staff  
18 indicated that the insurance liability on this particular  
19 item -- because the State would well be a target for a suit --  
20 indicated he would be -- he would really like to see the  
21 insurance liability increased.

22 We've checked with the Attorney  
23 General's office and they indicated that this was a  
24 statutory requirement, and we'd have to move that to -- or  
25 at least a mandatory requirement.

26 Dick, where was that?

27 A VOICE: Is that mandatory?

28 MR. CORY: I raised the question and the

1 staff went over the agenda. The \$300,000 was relatively <sup>18</sup>  
2 modest.

3 MR. NORTHROP: The Attorney General felt it  
4 was consistent with the operation. The Attorney General  
5 felt it was consistent with the size of the operation.

6 The liability insurance, one person,  
7 \$100,000.

8 MR. CORY: On that point, it seems to me the  
9 question on the order of magnitude of insurance shouldn't  
10 relate to size of operation, but more to the exposure of  
11 the risk.

12 And what I'm questioning is if we're  
13 running a marina, if the State does in fact have any  
14 liability, being somewhat of a target risk in these days  
15 of inflation and higher injury award, I'm going to question  
16 whether \$300,000 is really adequate protection.

17 \$100,000 for bodily injury, \$300,000  
18 for accident is not that big of an award if you've got  
19 five people in one boat and some reason it blows up.

20 A VOICE: Mr. Chairman, I believe checking with  
21 regard to this insurance, it's the state insurance offices  
22 not our office.

23 MR. NORTHROP: Oh, representative of the state  
24 insurance office, all right.

25 A VOICE: So this schedule is a little cold.

26 MR. NORTHROP: I might suggest we put this  
27 over till next time and look into this.

28 MR. CORY: What is the position of Mr. Stults



1 in the meantime?

2 MR. NORTHROP: He's still in possession. He  
3 has possession.

4 MR. BELL: It will be five months less.

5 MR. NORTHROP: Mr. Chairman, the next three  
6 calendar items deal with --

7 MR. CORY: 6A, B, and C relate to the offshore  
8 this is the question of the unitization agreement, which  
9 altered the economics of the lease development of Huntington  
10 Beach?

11 MR. NORTHROP: No, this one here relates to  
12 the drilling of five --

13 MR. BELL: The redrilling of two and the  
14 drilling of one.

15 MR. NORTHROP: Yes, redrilling of two and  
16 the drilling of one. The Item A, the oil that we will  
17 receive from that one will be at the new price.

18 MR. BELL: At the new price?

19 MR. NORTHROP: At the new price.

20 So that one -- we can dispense with that  
21 one because within that informal policy laid down by the  
22 Commission of the staff, that one is within -- and the  
23 next one --

24 MR. BELL: Now, what about B?

25 MR. CORY: Let's go through A first.

26 Do you want to tell us about A?

27 MR. NORTHROP: A is a new drilling of some  
28 new wells in an area, which would make it -- from

1 surfaceable locations, that would allow the State to sell  
2 the oil. Oil would be sold and we would get a percentage  
3 with new oil prices.

4 MR. CORY: This is part of the same one?

5 MR. NORTHROP: No, 391 is different. That's  
6 the last item.

7 MR. CORY: Bell moves, Dymally seconds. 6A  
8 Item B approved.

9 Is there anyone in the audience that  
10 wishes to address himself to Item 6A?

11 Hearing none, approval will be ordered  
12 without objection.

13 6B?

14 MR. NORTHROP: Mr. Chairman, we have here two  
15 well sites and that will be drilled on the flank of an  
16 existing field.

17 The time frame involved here is about  
18 six months. We -- our percentage would come out of the  
19 old oil price and it is the feeling of the staff -- the  
20 staff has a general feeling that by this time the price  
21 of crude oil will be well above the \$4 we're getting for  
22 it now.

23 And because of lead time involved, it  
24 recommends an approval only on the fact that it's to  
25 discover a flank area that's -- the price we are receiving  
26 for oil is on the old oil well prices.

27 MR. CORY: Why is it in our interest to take  
28 in more oil out of the ground at old oil prices?

1 MR. NORTHROP: Mr. Chairman, the only reason,  
2 of course -- the economic reason, we need the money; we don't  
3 want to lose it all. But secondly, the staff is very  
4 sympathetic to your position. And I can see no reason to  
5 take it out of the ground. We look down the road and  
6 probably within a year at the most, pessimistic estimates  
7 of oil prices, see some kind of phasing out at least  
8 between a year and some even sooner, as much as 90 days.

9 MR. CORY: Okay. Great. Where are we in  
10 terms of --

11 MR. TAYLOR: I think it is a policy question  
12 as to whether you want to go ahead with it. And I think  
13 one thing that we have to consider is whether or not this  
14 could cause any damage to the field by not continuing a  
15 regular MER program. And that's beyond our competency  
16 to answer.

17 As far as predicting whether there will  
18 be any relaxing of the FDA rules --

19 MR. CORY: Is this something that's totally  
20 discretionary on the part of the Lands Commission whether  
21 they approve or not approve?

22 MR. SHAVELSON: The criterion in the statute  
23 which -- is normally maximum economic recovery, which it  
24 differs from the usual term, which is maximum efficient  
25 recovery, and it certainly gives the mention that the --  
26 to look at the economics more than it would if it were  
27 limited strictly to engineering considerations.

28 I don't think the discussions were

1 completely uncandid, but I certainly think that exercise  
2 was within reasonable limits without damage to the oil  
3 fields and which were not unreasonable delays in development,  
4 that this policy is pliable.

5 MR. BELL: I don't know anything about potentials  
6 of damage to oil fields, but I do know the lead time is  
7 eight to ten months, to the extent of Mr. Northrop's remarks  
8 about 90 days to one year.

9 It doesn't look like we're putting  
10 ourselves in too favorable condition.

11 MR. CORY: Well, what about your early comments  
12 about pessimistic --

13 MR. NORTHROP: I am pessimistic; I am pessimis-  
14 tic.

15 MR. CORY: I wonder if we should wait until  
16 we hear from Mr. Zarb?

17 MR. NORTHROP: Mr. Chairman, I'm pessimistic  
18 on the parity for California crude oil prices with the  
19 rest of the nation. But I think on the other hand -- I think  
20 there's going to have to be some kind of end to this two-  
21 tier pricing system.

22 I think my discussion with the Feds,  
23 they indicated they're attempting to one way or the other --  
24 to end that.

25 And just this morning Representative  
26 Dingell from Michigan indicated that he was in favor of  
27 a phase-out plan that would cover a five-year period. So  
28 we have a phaseout for a five-year period from Representative

1 Dingell, to the president who says he wants to end it right  
2 now.

3 So, I think somewhere between five and  
4 zero there's going to be a compromise.

5 MR. CORY: What about -- what does this do  
6 to the field? We're talking about a flank area?

7 MR. NORTHROP: I really can't see that -- that  
8 we can argue that we would lose it. I just don't -- that  
9 argument hasn't been made to staff and I don't think that  
10 was an argument that's been made.

11 What we're trying to do there is profile  
12 two wells.

13 MR. CORY: If we put this off to the next  
14 meeting, the consequence is we're throwing the lead time  
15 one month forward?

16 MR. NORTHROP: We're setting the lead time  
17 one month back. Yes, sir.

18 MR. BELL: Do you have --

19 MR. NORTHROP: What they really want to do  
20 is to see what's on that flank and if there's something  
21 there, they propose a drilling pattern.

22 MR. CORY: Do we have the approval of the  
23 drilling pattern at that point or do we have the same  
24 discretionary options on the additional drilling after  
25 that test hole or not?

26 MR. SHAVELSON: Yes, sir. Yes. Your control  
27 over the drilling within the criteria of good economic  
28 practice.

1 MR. CORY: The economic practice applies to  
2 all of them?

3 MR. SHAVELSON: Yes. But as I say, we must  
4 exercise with definite criteria in mind.

5 And I think that we shouldn't be too  
6 vague about speculating as to future change. But I think  
7 that the situation now is, as I say, for reasonable periods  
8 of time. I think that we have that --

9 MR. CORY: Is the test hole -- we have control?

10 MR. BELL: I think that's true.

11 MR. CORY: Mr. Bell moves and Mr. Dymally  
12 seconds. Without objection 5A will be approved as presented.  
13 I beg your pardon, 6B.

14 6C.

15 MR. NORTHROP: This is again a broad item,  
16 Mr. Chairman. It's different from the last one only in  
17 this respect: that Burma would experiment with steaming on  
18 some wells. And this -- this procedure of secondary  
19 recovery is a test operation. If it works out well, they'll  
20 continue it on and we -- like the last one we had, it will  
21 come before the Commission before it goes, other than the  
22 wells that were specifically mentioned.

23 MR. CORY: A single well, one item?

24 MR. NORTHROP: I believe it's a redrilling of  
25 one well, J-163. The surface is located on the upland.

26 MR. CORY: Dymally moves, Mr. Bell seconds.  
27 Without objection 6C will be approved.

28 Item 6D.

1 MR. NORTHROP: Mr. Chairman, this is an  
2 assignment of a lease from Edwin W. Pauley and Barbara  
3 Jean McHenry Pauley to a Pauley Lifetime Trust.

4 They have qualified by paying fees.

5 And, I believe, the attorneys have  
6 investigated this, and would you care to address yourself  
7 to the Chairman, Mr. Shavelson?

8 MR. SHAVELSON: The Assignment E in this  
9 instance is a bona fide charitable trust registered with  
10 the State of California as a charitable trust.

11 We've checked the registrar to find  
12 that it's in good standing.

13 This is a normal financing type of  
14 transaction, or a transaction for tax purposes. And you  
15 probably see a number of transactions. This is the first  
16 that you have had. This is the first that you've had  
17 since you've been on the Commission.

18 There is a provision for the working  
19 interest in this, but this is such a small amount that  
20 we do not think that would ever occur.

21 We'll watch for that in review.

22 There is responsibility of the working  
23 interest passing that assignment that would be a very  
24 serious question, but that would not occur in this  
25 transaction.

26 //

27 //

28 //

1 We have given a letter to your staff  
2 today indicating approval by the Attorney General's office.

3 MR. CORY: Any questions from the members?

4 Anyone from the audience that wishes  
5 to address himself to Item 6D?

6 Hearing none, Dymally moves, Mr. Bell  
7 seconds. It will be approved without objection.

8 6E.

9 MR. NORTHROP: Mr. Chairman, this is an  
10 application by the City of Vallejo for dredging on a launch  
11 basin, as part of the Vallejo waterfront development  
12 project. Description of the dredge area attached as  
13 Exhibit A.

14 The initial -- the spoils on this --  
15 from this area will be deposited on unencumbered state lands,  
16 including Alcatraz spoil sight within the state grant of  
17 the City of San Francisco.

18 MR. CORY: Anybody in the audience wishes to  
19 address himself to Item 6E?

20 Dymally moves, and Bell seconds. Without  
21 objection, and that will be the order.

22 6F; 6F, Glorietta Bay.

23 MR. NORTHROP: Mr. Chairman, Item 6F is  
24 additional drilling permit from Glorietta Bay Marina on  
25 a dredge. Permit of the spoils on this permit would go  
26 on private lands. It is ten cents a cubic yard royalty.

27 And the environmental impact report is  
28 not required on private land from the administrative



1 building.

2 MR. CORY: Anybody wishes to address himself  
3 to Item 6F on the agenda?

4 MR. BELL: I move.

5 MR. CORY: Bell moves. Dymally seconds.  
6 Without objection, approved. This item approved.

7 Okay, Item 7.

8 MR. NORTHROP: Mr. Chairman, Mr. Wil Thompson  
9 from the State Lands Commission will make a presentation  
10 on this portion of legislation in Long Beach.

11 MR. CORY: Okay.

12 MR. THOMPSON: The first Item A, the tenth  
13 modification, which is merely an adjustment of various  
14 exhibits within the present planned budget, prior to  
15 modification.

16 However, we will probably be coming  
17 to you next month with augmentation because of inflation  
18 and additional cost.

19 Item C involves a subsistence project  
20 with a final closing and a resolution of subsidies cost  
21 in the project, and the credit to the City of Long Beach.

22 Now, the other item is a plan of  
23 development and operation and budget for the years 1975 and  
24 '76, which starts July 1, 1975.

25 Now, this particular thing comprises  
26 three parts: The plan, which is an outline of the work  
27 anticipated to be done during the fiscal year.

28 The budget, which provides the funds

1 for the projects covered in the plan.

2 And a procedure section which outlines  
3 the methods of implementing the plan and budget.

4 We are now recommending your adoption  
5 of the plan and a budget of 67.6 million dollars.

6 Now, the proposed budget is approxi-  
7 mately six million dollars over the anticipated level  
8 of expenditures for the current fiscal year.

9 (A slide presentation was given at  
10 this time.)

11 In the slide you see the past expendi-  
12 tures and net revenue. The yellow and orange bars represent  
13 the costs, and the green bars represent the net revenue.

14 You can see our current year has a big  
15 jump in expenditures from 47 to 62 million dollars. This  
16 is due to our energy increase and cost.

17 We anticipate this year to get  
18 \$167,000,000 gross revenue, with our level of expenditures  
19 \$62,000,000, getting a net of \$105,000,000.

20 The objectives for next year, a small  
21 drop in gross revenue to about \$165,000,000. The projection  
22 of \$68,000,000 in cost; the combination of this, \$8,000,000  
23 or less in the increase cost and inflationary measures,  
24 again with the fixed cost of oil at about \$4.18 a barrel.

25 So, we're in the squeeze here, now of  
26 fixed oil prices and inflation and energy.

27 (Another slide was shown at this  
28 time.)

1 Here's a plot of an oil-rig unit, and  
2 you can see, starting this period here (indicating) by  
3 redrilling, drilling new wells, water injection second,  
4 secondary recovery procedures, we have been able to flatly  
5 decline. We expect we'll have a small decline this next  
6 year.

7 (Another slide was shown at this  
8 time.)

9 This is another additional possible  
10 expense, here as our continuing injection rate is going up,  
11 and our cost of living grows. If we have additional volumes  
12 we're going to have additional expenses in this.

13 (Another slide was shown at this  
14 time.)

15 The next slide now, shows net revenue  
16 as a percent of the gross revenue.

17 The upper bar is not including taxes.  
18 The lower one is including taxes.

19 You can see how we have peaked and are  
20 now coming down.

21 The taxes equal to about 8 percent of  
22 the gross revenue in Long Beach.

23 (A chart is being viewed at this  
24 time.)

25 As far as taxes are concerned, the  
26 current year we're in, our taxes are almost \$15,000,000.  
27 This is an increase of about \$5,000,000 from the previous  
28 year on the basis, just on the basis of the valuation of

1 the crude oil prices.

2 They're estimating next year taxes will  
3 be about 13.6 million dollars, and these taxes comprise  
4 about 20 percent of the budget.

5 We have information before me now,  
6 we'll probably come back and augment these taxes later on.  
7 The City of Long Beach is proposing an increase in business  
8 license tax and also we have a statement that the advalorem  
9 taxes may be a little low. This was in the morning paper  
10 that the L.A. County tax budget rate is up -- 10 percent.

11 MR. DYMALLY: One question, am I to understand  
12 that the Lands Commission pays taxes?

13 MR. THOMPSON: No, the Lands Commission does  
14 not pay taxes.

15 The taxes are assessed against the  
16 contractor. They are part of the expense in the net profits.

17 (Inaudible discussion at this time.)

18 MR. THOMPSON: Yes, it comes out, and this is  
19 the revenue that is shared by the City and State.

20 MR. DYMALLY: And who gets the taxes, the  
21 City?

22 MR. THOMPSON: The City of Long Beach, the  
23 County of Los Angeles, the school districts, all districts.

24 (Another slide is viewed at this  
25 time.)

26 Now, another large part of our cost,  
27 the energy costs, here is a plot of costs, kilowatt hours  
28 set for kilowatt hours, energy in the Long Beach unit.

1                    You can see, starting with the energy  
2 situation at the end of 1973 that energy costs have more  
3 than doubled. And are continuing to escalate here as  
4 utilities are faced with inflation within their own organiza-  
5 tion and fuel costs.

6                    (Viewing of another chart at this  
7 time.)

8                    Now, the actual energy cost we're  
9 estimating next year to be 1.6 million dollars. This is  
10 2.6 million dollars increase over this year. So about a  
11 six million dollar increase. We're talking about 2.6 million  
12 dollars comes in electrical energy. The balance is  
13 primarily due to inflation and additional fuel handling  
14 price.

15                    (Viewing of the next chart at this  
16 time.)

17                    Now, if we take the next chart we can  
18 actually see what the expenses are, excluding taxes and  
19 investments. You can see again, where our large jump has  
20 been in the present year and inflation and energy has  
21 really caused an increase here of almost 30 percent in our  
22 cost.

23                    (At this time an overlay was used.)

24                    Now, at this time, if we take and use  
25 the overlay, which shows the energy cost and shows on  
26 the previous slide, these orange spots are again the same  
27 scale in time and you can see how they coincide on the  
28 drastic increase in cost.



1 approval, how much of a private sector are salary increases  
2 and fringe benefits increases?

3 MR. THOMPSON: They seem to be about the 10 to  
4 11, 12 percent range, which is comparable with those in  
5 the Plan 1.

6 MR. CORY: How much gross dollars is that?  
7 I mean how much?

8 MR. THOMPSON: This one involved maybe 10  
9 percent on -- in the neighborhood of four to five million  
10 dollars, the total of -- you're looking at maybe half a  
11 million dollars.

12 MR. CORY: And how many people are involved  
13 in getting half a million dollars?

14 MR. THOMPSON: Directly through the field  
15 contract of these organizations, has about -- 200 plus  
16 people and then the City of Long Beach, portion of the  
17 unoperable cost, there is not a number of people involved  
18 in that, but that's about 1.2 million dollars.

19 MR. CORY: Five hundred thousand is going to --  
20 directly to 200 people?

21 MR. THOMPSON: Plus the public vehicle parking  
22 in the City of Long Beach, the operable costs.

23 MR. NORTHROP: What's that total?

24 MR. THOMPSON: Somewhere in the neighborhood  
25 of, I would say, 300 people.

26 MR. CORY: The reason for -- for my raising  
27 this, "Business Week," April 14th was a little shocked at  
28 what was going on in the oil industry. And I want to know

1 whether or not we're participating in it.

2 They went down to interview; for example,  
3 the chairman of the board of Standard Oil of California  
4 had a 55.2 percent cash salary increase. It seems like  
5 the industry was averaging -- the average amount probably  
6 was somewhere around 20 percent salary increase for their  
7 executives.

8 And I wonder if we're passing on the  
9 same kind of salary increase to the THUMS executives and  
10 how that compares to what the workers are getting?

11 MR. THOMPSON: No, the pattern here is an  
12 industry pattern.

13 MR. CORY: It's the industry pattern that I'm  
14 concerned about.

15 MR. THOMPSON: We've checked. The top people  
16 in THUMS are not exceeding that other level, and are not  
17 anywhere near this wage that you are talking about. They  
18 have received the wages that are consistent with this  
19 pattern and in some cases even less.

20 MR. CORY: Any questions about this demonstra-  
21 tion?

22 We need approval of separate items.

23 MR. NORTHROP: Mr. Chairman, it's -- the  
24 City Council of Long Beach in its meeting on March 11th,  
25 adopted this proposed plan of development, operation for  
26 the budget, and authorized it to stay with the State Lands  
27 Commission for consideration approval.

28 It is recommended that the Commission



1 adopt the resolution, plan budget.

2 MR. CORY: Any questions from the audience?  
3 Commission members?

4 MR. BELL: This is our final action on the  
5 entire '75-'76 budget.

6 MR. NORTHROP: Till augmentation comes in.

7 MR. BELL: Till augmentation comes in, right.

8 MR. THOMPSON: Now, the State Lands  
9 delegated authority does control the approval of all wells,  
10 new wells and --

11 MR. NORTHROP: Within the budget.

12 MR. CORY: Those are things you can't say  
13 through the budget. This is the last, in terms of area  
14 of credit, where you must cut, squeeze and trim.

15 MR. THOMPSON: However, you'll have to look  
16 at the past spending trends, and you'll see that this is  
17 actually a very practical thing. If you want to look back  
18 at the last exhibit we showed.

19 (Looking at the last exhibit shown.)

20 From this year to last year, there was  
21 an increase of almost 10 million dollars of expenditures.  
22 And we are hoping to flatten this trend. Inflation and  
23 energy costs sometimes are out of our control.

24 MR. CORY: Governor Dymally moves; Mr. Bell  
25 seconds.

26 MR. BELL: Yes.

27 MR. CORY: Approved without objection. Such  
28 will be the order. And that takes care of Item 7A -- B --

1 MR. NORTHROP: No, B.  
2 MR. CORY: Plan and development; right?  
3 MR. NORTHROP: Yes.  
4 MR. CORY: Okay. Item 7C, which is the project  
5 review on the subsidence contract.  
6 MR. NORTHROP: Subsidence for that project,  
7 final closing of that.  
8 MR. CORY: Any questions from members of the  
9 audience on Item 7C?  
10 Dymally will move. Mr. Bell will  
11 second. Without objection, approved.  
12 Item 8A, major litigation.  
13 (Off the record discussion was held at  
14 this time.)  
15 MR. NORTHROP: Mr. Chairman, on this item,  
16 since the circulation of today's agenda to the members of  
17 the Commission to acquire title of certain portions of State  
18 Lands described in the item -- this item, our understanding  
19 that the -- that service has not yet been accomplished upon  
20 either the Chairman or the Attorney General in this action.  
21 Commission action is still necessary because of Leslie Salt  
22 sued the estate commission to get this title action. But  
23 we feel this action is still necessary for us to -- we  
24 initially planned to initiate a suit, but apparently Leslie  
25 beat us to the punch. So we request the commission action  
26 today to file appropriate pleadings that were necessary  
27 in this action.  
28 MR. CORY: And if not, it's -- it could be

1 worded that for some reason they haven't filed, you could  
2 go ahead and file?

3 MR. SHAVELSON: Mr. Chairman, Mr. Cook is  
4 from Stanford, who has worked on this from our office.  
5 But what has happened in this matter is that they have --  
6 Leslie, after the announcement of potential action, the  
7 distribution of the calendar, Leslie sued us immediately  
8 upon that.

9 But they only sued for the portion of  
10 the property, which is shown on the map, the map over there --  
11 the colored map.

12 They only sued on the northeast corner.

13 The authorization in this calendar item  
14 is to bring an action over the entire area known as the  
15 Bomberg Tract which extends along the landward side of  
16 the Hayward bridge, on the Hayward side of that bridge.

17 And you can see it, indicated generally  
18 there.

19 You can see San Francisco Bay and the  
20 bridge going across.

21 This action allows us to file responsive  
22 pleadings in the action, which Leslie has filed but not yet  
23 served.

24 And also allows us to add additional  
25 property to the case.

26 We think it a rather selective process,  
27 engaged in by Leslie and what they started. And we believe  
28 that other lands should also have its title determined in

1 that area.

2 MR. CORY: Is that handled by filing a separate  
3 action and then amending it?

4 MR. SHAVELSON: We're covered by the calendar  
5 items to take all the answers necessary either to answers  
6 or responses --

7 MR. NORTHROP: Mr. Falik -- before you go any  
8 further, the attorney for Landel, Ripley and Diamond  
9 representing Leslie Salt Company would like to make a  
10 statement in regard to the calendar item.

11 MR. CORY: Okay.

12 MR. FALIK: Mr. Chairman, my name is Bill Falik.  
13 I represent Leslie Salt Company. And I'm with the law  
14 firm of Landel, Ripley and Diamond in San Francisco.

15 The staff of this State Lands Commission  
16 has asked for authorization for the State Lands Division and  
17 the office of the Attorney General to proceed with such  
18 litigation or other action as may be appropriate to establish  
19 and confirm the nature and extent of any possible State  
20 Lands within San Francisco Bay and its estuary in the area  
21 of Mt. Eden Creek, Alameda County, presently owned by  
22 the Leslie Salt Company.

23 Leslie has recently been informed that  
24 the staff of the State Lands Commission is attempting to  
25 assert a state interest in the State property; namely the State  
26 public trust for commerce, navigation and fishing.

27 Leslie has conducted an extensive title  
28 investigation of its property and this subject area property,

1 which has been held by Leslie or its predecessors in  
2 interest for over 100 years, free of any claim of the  
3 State Public Trust. And Leslie has determined conclusively  
4 through its investigation, legal and factual analysis that  
5 its title to the subject property is valid and free of  
6 any claim of the State Public Trust. In this regard, Leslie  
7 has met with the State Lands Commission on several occasions  
8 attempting to explain its position regarding its title to  
9 the subject property, free of any state interest.

10 Leslie has agreed with the staff of  
11 the State Lands Commission to submit a memorandum analyzing  
12 the basis for Leslie's position. In return for which the  
13 staff of the State Lands Commission had agreed to respond  
14 to Leslie's memorandum. Pursuant to the disagreement that  
15 we had with the staff of the State Lands Commission,  
16 approximately two months ago, Leslie submitted its memorandum  
17 fully setting forth its position with regard to the title  
18 to these lands. The staff of the State Lands Commission  
19 has still failed to respond.

20 Because Leslie is convinced there is  
21 absolutely no basis for the State to assert any interest  
22 in the State public property, and because Leslie has been  
23 informed and believes that some of the staff of the State  
24 Lands Commission feel that the State should attempt to  
25 assert an interest in the subject property, Leslie was  
26 compelled to file an action to acquire title to approximately  
27 254 acres of the subject property in Alameda Superior  
28 Court on April 24, 1975.

1 The memorandum, which we have submitted  
2 to the staff of the State Lands Commission, set forth the  
3 basis for Leslie's position. And Leslie feels that it is not  
4 appropriate at this time and at this meeting to set forth  
5 the extensive legal and factual basis for its position.

6 Suffice it to say that over a century  
7 the State has treated and taxed the lands, which are  
8 the subject of this inquiry, as swamp and overflowed lands  
9 and not as tidelands. And that these lands are not now  
10 nor have they ever been tidelands. And are not now or have  
11 they ever been subject to public trust for fishing, commerce  
12 and navigation.

13 MR. NORTHROP: I have a letter here also from  
14 the City of Hayward, if I may.

15 "It is requested that the following  
16 statement --"

17 MR. CORY: Is that your statement?

18 MR. NORTHROP: Yes.

19 I have a letter here from the mayor  
20 from the City of Hayward. It is requested that the follow-  
21 ing statement be made a matter of record.

22 "The City of Hayward wishes to indicate  
23 its support for the State Lands  
24 Commission's proposed investigation of  
25 title questions in the Hayward shoreline.  
26 Existing questionable conditions  
27 surrounding the title to present pro-  
28 perties are a hindrance to vital public

1 and private projects contemplated in  
2 this area.

3 I wish that I could have attended  
4 personally to express the city's views  
5 on this important matter, but unfortu-  
6 nately my schedule and transportation  
7 arrangements made this impossible.

8 We are looking forward to the Commission's  
9 meeting at Hayward next month and wish  
10 to express our thanks for the extremely  
11 helpful cooperation received from the  
12 State Lands Division.

13 Sincerely, Ilene Weinreb, Mayor of  
14 Hayward."

15 MR. TAYLOR: I might make one response, though.  
16 I don't believe we're going to have several years in court  
17 to explain our position to each other. But I think that  
18 it should be clarified that the State is claiming a fee  
19 title as to part -- portions of this property and not just  
20 an easement.

21 And I believe that the history of this  
22 State will demonstrate that the condition of title has  
23 always been reflected and known to the private parties.

24 MR. CORY: Dymally moves, Mr. Bell seconds.  
25 The provision will be granted. Without objection such will  
26 be the order.

27 And I'd like to just comment to this  
28 comptroller to look very carefully at any claims to purchase

1 salt from Leslie. You may already own that salt.

2 Item 8B.

3 MR. NORTHROP: Do you want to address yourself,  
4 Mr. Shavelson?

5 MR. SHAVELSON: 8B we're on?

6 MR. CORY: 8B.

7 MR. SHAVELSON: This is a Long Beach item.  
8 It authorizes the settlement of a quiet title action on  
9 the East Beach in Long Beach. It authorizes the office  
10 of the Attorney General to execute a stipulation for  
11 dismissal on behalf of the Commission.

12 We reviewed the items, the settlement,  
13 and the potential buy-out of the private parties is  
14 consistent with our position in the case. And with our  
15 advice of our office has received from the staff.

16 There will be an item next month to  
17 approve an expenditure of Tideland oil revenue, which  
18 will also be in connection with this item. This item  
19 allows a dismissal of the lawsuit and the other item will  
20 be a separate matter.

21 MR. CORY: Anybody in the audience wish to  
22 address itself to Item 8B?

23 MR. BELL: I have no questions. I move.

24 MR. CORY: Bell moved; Dymally seconds.

25 Without objection such will be the order of 8B.

26 Item 8C.

27 MR. NORTHROP: This authorizes us to intervene  
28 on behalf of the State Lands Commission in the case of



1 HKM Investments.

2 MR. TAYLOR: Yes. At the request of the City  
3 Attorney of South Lake Tahoe, the office of the Attorney  
4 General is taking action to aid the City Attorney with  
5 regard to a claim of implied dedication on Lake Tahoe, and  
6 also in that case it's turning out that there's a problem  
7 to the extent of the State ownership of the sovereign lands  
8 underlying Lake Tahoe. So that in accordance with the  
9 State Lands Commission's current policy with regard to  
10 implied dedication of areas adjacent to navigable waters,  
11 and of course its statutory responsibility with regard  
12 to the sovereign ownership, we think that it's very proper  
13 for the State Lands Commission to be a party to this case,  
14 and perhaps essential.

15 MR. CORY: Mr. Bell?

16 MR. BELL: I move.

17 MR. CORY: Mr. Dymally seconds. Such will  
18 be the order without objection.

19 Major litigation.

20 Do you want --

21 MR. NORTHROP: Mr. Shavelson is informing them  
22 only. So we'll cover the major portion of it in the next  
23 item, so you go on that.

24 MR. CORY: Item 9A.

25 MR. NORTHROP: Mr. Chairman, on Monday, April  
26 21, Exxon obtained a temporary restraining order prohibiting  
27 the State Lands Commission from taking any action on  
28 calendar Item 9A today, which seeks to cancel the Exxon

1 lease for its failure to proceed with development within  
2 the time limits specified in that agreement.

3 As a result of the court order, I'm  
4 informed that no action can be taken on this matter by  
5 the Commission until the issue is resolved in the courts.

6 That means, we cannot approve the  
7 Exxon then and go ahead with it.

8 MR. BELL: I don't think it would be appropriate.

9 MR. CORY: They missed their chance. I thought  
10 they wanted to settle.

11 10A. Some people like to fight, I guess.  
12 Item 10A.

13 MR. NORTHROP: Mr. Chairman, this is the  
14 Fish and Game request for an artificial fishing-kelp reef  
15 to be installed on a test basis.

16 MR. CORY: Any comment from any members of  
17 the audience with respect to Item 10A?

18 MR. BELL: What's the material they're going  
19 to use?

20 MR. CORY: Used tires.

21 Okay. That's this one. This isn't  
22 the ship?

23 MR. NORTHROP: No, no. No, sir.

24 MR. BELL: I move.

25 MR. CORY: Bell moves; Dymally seconds.

26 Without objection such will be the order.

27 10B.

28 MR. NORTHROP: This was an item that was on the

1 agenda last time. The representative of the City of  
2 Pittsburgh appeared, but did not have his permits in. And  
3 he has returned to the Commission now, asking for a fishing  
4 pier to be built on an 8,000 plus square foot parcel  
5 submerged land in the Sacramento River and Contra Costa  
6 County, at Pittsburgh.

7 MR. CORY: Public access?

8 MR. NORTHROP: Yes, a public.

9 MR. CORY: Without fee?

10 MR. NORTHROP: Without fee, as I understand  
11 it. Hold it.

12 I have been informed, by Mr. Shavelson,  
13 without fee.

14 MR. BELL: Mr. Chairman, the Wildlife  
15 Conservation Board is already active on this in expectation  
16 of our action, so I would move that it be approved.

17 MR. CORY: Mr. Bell moves; Mr. Dymally seconds.

18 Is there anyone who wishes to address  
19 himself to Item 10B?

20 Nobody wishes to filibuster. Without  
21 objection to that, such will be the order.

22 Mr. Dymally has requested to take  
23 Item 12.

24 MR. NORTHROP: Mr. Chairman, the PRC-91 is a  
25 unit agreement that was presented to the Huntington Beach  
26 area, wherein the formula applied this way: the higher the  
27 oil price the less the unit operators got; and it's to  
28 the point -- the point now, it's so high that unit operators

1 are threatening to cancel the unit and go back into the  
2 old 12-1/3 percent portion of the State.

3 So it makes economic sense for us to  
4 revise this. So the staff has revised it. The legal  
5 coverage is not only with Burmah Oil Company but with the  
6 representatives of the independent owners of small working  
7 interest in this lease, and we feel this is an interest  
8 agreement that allows the State to maintain a better  
9 revenue. And it's understood that they are merely holding  
10 the town lot owners hold as what they would have, again,  
11 had the lease not been unitized. And after 17 months,  
12 approximately 17 months, they would no longer participate  
13 in the reward from this.

14 MR. BELL: It just goes from that period?

15 MR. NORTHROP: This is as to its new unit  
16 numbers in that case.

17 MR. CORY: Any questions, Mr. Bell?

18 Anyone from the audience who wishes  
19 to address himself to Item 12A?

20 None.

21 Mr. Dymally moves; Mr. Bell seconds.

22 Without objection, the item will be  
23 approved.

24 MR. NORTHROP: Back to Item No. 11, sir.

25 MR. CORY: Item 11A.

26 MR. NORTHROP: Mr. Chairman, on January 14,  
27 1975, the Commission suspended approval for Atlantic  
28 Richfield to resume drilling operations on Platform Holly,

1 pending a further staff review of drilling procedures and  
2 environmental considerations. The staff was also asked  
3 to consult with state legislative and executive branches  
4 to determine current policies.

5 Staff re-examination has been completed.

6 Dialogs were conducted with legislators  
7 and the Governor's office February and March. One of  
8 the matters of chief concern at those meetings was a  
9 complete rejection of the Atlantic Richfield application,  
10 on the basis it involved -- however, we considered the  
11 risk of potential litigation and a possible physical impact  
12 upon the State of serious magnitude.

13 These bodies advised us to try and  
14 reach an agreement with Atlantic Richfield with respect  
15 to blow-out prevention measures as well as provisions to  
16 assure that the company operator would discharge any  
17 liability arising in the event of oil spill damage.

18 Following those guidelines, exhaustive  
19 negotiations have been conducted with Atlantic Richfield.  
20 The results of these lines of endeavor are before you today  
21 for consideration.

22 First, the proposal.

23 Essentially, ARCO proposes a drilling  
24 program which would not exceed 17 new producing wells  
25 additional to the 13 producing wells already located on  
26 existing Platform Holly.

27 The proposal would complete the  
28 drilling program from that platform, which has been in

1 abeyance since the 1969 moratorium.

2 I might add that the 13 wells in  
3 production prior to the moratorium have created no  
4 untoward incidents, and have already provided the State with  
5 about \$10,000,000 in royalty revenue.

6 The 17 new wells are expected to provide  
7 an additional oil production of approximately 20,000  
8 barrels per day. The eventual royalty income to the State  
9 could reach a peak of approximately \$100,000,000 per day  
10 or \$36.5 million per year. Oil produced from these wells  
11 would be "new oil" and not subject to the control of FDA.

12 The full program, however, of 17 new  
13 wells, would require approval from other state and local  
14 agencies to modify existing onshore facilities and to  
15 construct Stretford plant to remove excess sulfur compound  
16 from produced gas.

17 If these approvals are not forthcoming,  
18 ARCO then proposes to initiate a partial interim drilling  
19 program of eight to ten new wells on Platform Holly. Such  
20 reduction in the program would reduce the rate of oil  
21 production from 20,000 per day to 12,000 per day. Revenue  
22 to the State would decrease porportionately.

23 The proposal before the Commission today  
24 is limited to the drilling of a maximum of 17 new wells  
25 on an existing platform. Any additional wells or facilities  
26 that Atlantic Richfield might contemplate in the future  
27 would be subject to separate commission consideration,  
28 and to the preparation of a separate Enviornmental Impact

1 Report.

2 Staff re-examination has been directed  
3 to many areas of public concern: Predominantly that the  
4 operator conform to new procedures adopted by the Commission;  
5 that the operator abide by an established contingency plan  
6 and critical operations plan in the event of spillage  
7 or leakage; that more stringent training be required for  
8 operator personnel; that drilling approval be on a well-  
9 by-well basis; and, that the operator agree to liability  
10 responsibility in the event of a spill. One at a time,  
11 these work this way.

12 The new procedures adopted by the  
13 Commission include requirement for well casing, blow-out  
14 prevention, drilling mud programs, and facility safety  
15 inspections. Platforms must be equipped with integrated  
16 safety-control systems that will cause shut-in of all  
17 wells in the event of fire, pipeline failure, or other  
18 catastrophe.

19 Special emphasis on mitigation of  
20 oil spills, contingency plan, has been written into the  
21 new procedures. These include initial abatement of an  
22 incident; clear and mandatory reporting methods; and,  
23 mandatory containment and clean-up of oil spill.

24 Certain operations performed in drilling  
25 and production work are more critical than others. So with  
26 that in mind we have installed a critical operations plan  
27 to control fire, explosions, oil spills, and other discharge  
28 or emissions. Such operations must be listed, and may be

1 curtailed or even terminated under certain weather, sea,  
2 or other conditions.

3 As an added safety measure, all critical  
4 drilling operations will be monitored by an on-sight State  
5 Land Division inspector, who is empowered to shut down  
6 drilling operations if, in his judgment, safety conditions  
7 so warrant.

8 In addition, inspection frequency by  
9 State Lands Division staff will be increased, and will  
10 include daily monitoring efforts.

11 Training of personnel. Well-controlled  
12 training will be conducted daily until each crew is thoroughly  
13 trained and thereafter, at least once a week for each crew.  
14 The company drilling supervisor will be responsible for  
15 instructing all drilling crews in blow-out prevention and  
16 State procedures for drilling operation.

17 In addition, all Atlantic Richfield  
18 and drilling contractor supervisor staff will be required  
19 to have attended, on an annual basis, a formal blow-out  
20 control training school.

21 The introduction of legislation is now  
22 being considered to require training certification of all  
23 drilling personnel. We would report such legislation.

24 Well-by-well approval.

25 While the State Lands Division has  
26 previously issued a blanket approval of nine specific wells  
27 on Platform Holly, our re-examination considers that  
28 approval to have been excessive in number.



1                   Therefore, only pursuant to delegation  
2 of authority by the Commission, the executive officer  
3 proposes to approve the drilling of a much smaller number  
4 of wells.

5                   Such approval will be based on prior  
6 separate engineering review by the State Lands Division,  
7 and will be consistent with appropriate engineering and  
8 geological data.

9                   This method of well approval will be  
10 of substantial improvement over the previous program, and  
11 will provide the staff with the necessary information on  
12 nature and location of each proposed well.

#### 13                   Liability responsibility.

14                   In view of the fact that it took a  
15 responsible oil company six years to pay damages after the  
16 infamous Santa Barbara oil spill in federal waters, the  
17 staff conducted extensive negotiations with Atlantic  
18 Richfield in an attempt to achieve absolute liability  
19 responsibility on the part of the operator.

20                   We were unable to get agreements on  
21 absolute liability or on binding arbitration. The office  
22 of the Attorney General has advised that it is beyond the  
23 power of the Commission to impose such conditions  
24 unilaterally.

25                   We have, however, been able to come to  
26 an agreement with Atlantic Richfield, which we feel, affords  
27 increased protections to third persons, and to the State  
28 for any damages arising from operations conducted under

1 the leases.

2 Briefly, these agreements would provide  
3 the following:

4 One. Atlantic Richfield will furnish  
5 to the State Lands Commission a certificate of insurance  
6 in the amount of \$10,000,000, our current insurance is  
7 one thousand -- one hundred thousand, including also the  
8 State named as the named insured and evidencing insurance  
9 against liability for damages to third persons arising  
10 out of any and all drilling and production activities on  
11 or from Platform Holly.

12 Two. Procedures shall be established  
13 for the prompt processing of all claims to third parties,  
14 and prompt payment of uncontested claims.

15 And three, to facilitate the settlement  
16 of contested claims by third persons without the necessity  
17 of litigation, Atlantic Richfield will agree to mediation  
18 procedures approved by the executive officer, after  
19 consultation with the office of the Attorney General.

20 Mr. Chairman, the staff has completed  
21 the assignment given to it by the Commission last January.  
22 Should the Commission determine to approve resumption of  
23 drilling on Platform Holly by Atlantic Richfield, we offer  
24 a resolution now before you which would accomplish such  
25 purpose, and which would be agreeable to Atlantic Richfield.

26 Mr. Chairman, I might add that we have  
27 spoken to the proponents of the resolution, a number of  
28 people probably eight to ten in number, and in opposition to

1 it we have one or two.

2 MR. CORY: Those are the ones who want to  
3 speak in favor?

4 MR. DYMALLY: Why don't we get the opposition  
5 since there's just a few.

6 MR. NORTHROP: Anthony C. Fischer has indicated  
7 he has --

8 Mr. Fischer is a Deputy City Attorney  
9 of the City of Santa Barbara.

10 MR. FISCHER: Mr. Chairman, Gentlemen, my  
11 name is Anthony C. Fischer. I'm the Deputy City Attorney  
12 for the City of Santa Barbara. I am here representing the  
13 City Council on behalf of the City of Santa Barbara to  
14 oppose approval of application for the resumption of  
15 drilling operations in the South Ellwood offshore oil field,  
16 Platform Holly.

17 At previous meetings of this Commission  
18 Mr. Cappella, the City Attorney, has stated our reasons  
19 for our opposition to the resumption of drilling. The  
20 only reason he's not here is a prior commitment to speak  
21 at an oil litigation at the League of California Cities.

22 Our reasons for opposing this resumption  
23 of drilling, in addition to those previously I referred  
24 to in the hearings, are that an environmental impact report  
25 is not adequate. The project will not have enough proceeds  
26 in the event of an oil spill due to the drilling or a  
27 tanker accident. In reviewing the cumulative impact of  
28 this project the environmental impact report erred in

1 relying upon negative declaration filed on Standard Oil  
2 Platform Heidi, Hilda, Hazel and Holly.

3 As you know, a full environmental impact  
4 report was required for those projects and some are now  
5 being prepared. The outcome for the approval and  
6 the adoption of drilling on Holly must await preparation  
7 of the environmental report.

8 The EIR -- environmental impact report  
9 also fails to study the cumulative impact in view of the  
10 extensive offshore leasing and drilling of the federal  
11 government, the increased barge traffic which accompanies  
12 that. The environmental statement issued by the  
13 Department of Interior in November of 1974, and some new  
14 traffic in environmental impact statements issued in  
15 February of 1975, which are not considered in your environ-  
16 mental impact report, required an affirmative analysis  
17 of this project. The adverse environmental impact of this  
18 project, as listed in your EIR, are the provisions for a normal  
19 Standard operation. The consumption of scarce water  
20 resources and the large and small oil spills from platforms  
21 and tankers provide a reasonable basis for this Commission  
22 to deny this request to resume drilling.

23 I am aware that ARCO estimate royalty  
24 revenues to the State of California if the 17 new wells are  
25 drilled, of \$40,000,000 a year. Despite this large flow

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1 of money to the State, you have not taken action to provide  
2 financial protection to local entities, such as the City  
3 of Santa Barbara in the event of another spill. And I  
4 assure you I am aware that the federal government has  
5 finally and recently admitted, and predicted that offshore  
6 drilling will result in oil spills. Adequate provision  
7 of the city's revenues does not exist.

8 Our experience, as pointed out by your  
9 officer, has shown that achieving a collection of damages  
10 in litigation will result in the payment only after years  
11 of experience of litigation.

12 As an alternative, establishment of  
13 the fund to administrating action, to properly pay the  
14 clean-up cost, loss of use, and loss of cleaning, tax  
15 revenues would greatly reduce the burden of spill upon the  
16 city.

17 I notice from reading your staff  
18 recommendation, some mention to have administrative proceeds  
19 of some damage claims. That is not adequate either in the  
20 coverage or in the procedure set forth. Those administrative  
21 procedures should be proposed and submitted to the public  
22 for comment prior to any approval of resumption of drilling.  
23 Also, the recommended resolution makes no direct reference  
24 to tanker accidents or tanker spills. Production from the  
25 tanker spills is just as important as production from the  
26 blow-out and should receive the same type of handling.

27 In addition, in reviewing the comments  
28 of the staff, which I received yesterday morning, I notice

1 that the staff recommendation is in fact a revision of the  
2 environmental impact statement. I have not had sufficient  
3 time to review all of your regulations, but I understand  
4 it is the requirement that when an environmental impact  
5 report is issued that a period of time take place before  
6 any commission takes action on that environmental impact  
7 report. The guidelines, I think its--the administrative  
8 manual speaks to the period of 14 days. The federal  
9 guidelines would require 30 days before any action could  
10 be taken.

11 If you're going to treat the staff  
12 comments as something other than an amendment to the EIR  
13 then obviously your EIR is not adequate, and therefore you  
14 could not take any action on application this morning.

15 That's all I have this morning.

16 Thank you for your attention.

17 MR. DYMALLY: I have a few questions I want  
18 to ask you.

19 Are you proposing to the establishment  
20 of a fund in case of any spill?

21 MR. FISCHER: Yes. I think either State should  
22 guarantee a fund or the driller should guarantee a fund  
23 of money to be available immediately upon a spill so that  
24 funds would be there to get the clean-up started and  
25 completed without having to wait for everyone to decide  
26 who's going to pick up the tab for each part.

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MR. DYMALLY: I like that, too.

Have you visited the platform?

MR. FISCHER: I have--personally have not visited the platform.

MR. DYMALLY: Do you understand that that is not proposed to build a new platform?

MR. FISCHER: That is correct.

MR. DYMALLY: There are now in the channel, which I discovered yesterday, natural leaks. Even if you close all the leaks, you still have natural leaks in the channel.

MR. FISCHER: I have had experts telling me that for months, and in litigation, yes.

MR. DYMALLY: When we talk about the resumption of drilling, in fact they are presently drilling now. So we're not talking about a resumption of drilling. We are talking about something else. I don't know what. But they are actually drilling right now.

MR. FISHER: Are they drilling on Platform Holly?

MR. DYMALLY: Yes, they are drilling oil from Holly right now.

They are drilling, so we would not be talking about resumption. So the impression that we stopped drilling --

MR. FISCHER: I think the application is for some new wells; is it not?

MR. DYMALLY: Okay. But I got the impression

1 before I got in to this, we had completely stopped drilling  
2 after the spill, but drilling continued. We just stopped  
3 new wells; is that your understanding?

4 MR. FISCHER: I believe you're correct.

5 I have not looked into it.

6 MR. DYMALLY: So we are not talking about  
7 a resumption. We are talking about some other terms, maybe  
8 new wells. Okay. And that these wells would be drilled  
9 on the same platform?

10 MR. FISCHER: That's correct.

11 MR. DYMALLY: Not a new platform?

12 MR. FISCHER: That's correct.

13 MR. DYMALLY: The reason I raised that, until  
14 yesterday I suspected like the rest of the public--I had  
15 some very different notion about this whole thing.

16 I thought we were talking about a new  
17 platform. I thought we had stopped drilling after the  
18 spill. And I didn't know we were continuing to drill. And  
19 I just thought we'd make those points clear because I think  
20 there's a public misconception about this whole thing. And  
21 I had to clarify it yesterday after I visited your fair  
22 city, in fact, they're still drilling now. In fact, they're  
23 natural spills there. In fact, there's not a new platform  
24 being constructed.

25 And the final question, are you aware of  
26 the Attorney General's position about a legal problem we  
27 face?

28 MR. FISCHER: Yes. I'm not sure that that



1 takes away your discretion on approving the environmental  
2 impact report.

3 MR. DYMALLY: Okay. Thank you very much.

4 MR. FISCHER: I'm not certain I have not  
5 read his opinion. I don't think it's been made available  
6 to the public.

7 MR. DYMALLY: I think we have it down here,  
8 at least I hope so.

9 MR. CORY: Any further questions?

10 Is there anyone else who wishes to  
11 speak in opposition?

12 MR. KELLOGG: My name is Martin Kellogg. I'm  
13 representing the Isla Vista Community Council.

14 Our community is approximately 500 feet  
15 from the platform in question. And I have some remarks  
16 regarding the opposition to my beneficial use of the  
17 oil resource. There are some side effects which need some  
18 reemphasis.

19 One is the potential impact of our  
20 pollution now due to the consumption of the oil produced.  
21 About one-tenth of 1 percent of U.S. present consumption  
22 is proposed to be developed on an annual basis from this  
23 platform due to this new drilling. 1970 air pollution  
24 economic damage was estimated at six to eighteen billion.  
25 And over three quarters of the U.S. energy consumption is  
26 of oil and gas. Much of this damage should be the  
27 economic effect to the damage of human health, and a large  
28 share of all these damages must be due to oil consumption.



1 is a problem, that contact of surrounding seafood would  
2 occur as a result of any spill. It is very likely that  
3 the oils to be produced do contain carcinogens. Many  
4 carcinogens have been found in crude oils and some refinery  
5 personnel have to wear protective coverings because they  
6 started to prevent cancers, which developed in the  
7 petroleum industries.

8 There is no known safeguard available  
9 for any chemical carcinogens, according to the report of  
10 the Academy of Natural Science. Therefore, any increment  
11 at all, despite the fact that we have some natural links,  
12 will be viewed as potentially harmful to the food and  
13 in the channel, and the people using the beaches, and the  
14 people eating the food in the channel.

15 Another point, general point, is that  
16 at present it needs to be conserved to maximally benefit  
17 mankind, because it's a finite resource. For one example,  
18 fossil fuels are the only practical source of hydrocarbons.  
19 And the hydrocarbons form the basis of nonsynthetic organism.  
20 There are no alternatives.

21 In the Natural Academy of Science report  
22 of two months, an industry estimate of only one thousand  
23 one hundred thirty million barrels of undiscovered reserved  
24 is expected. Therefore, total world reserves may be  
25 estimated at approximately fifteen hundred billion barrels.  
26 If the entire world were to consume at our rate, per  
27 capita rate, their oil will last only about 10 years.

28 Furthermore, with this natural report

1 estimated U.S. Reserves another about one hundred and  
2 five to one hundred and twenty billion barrels, which we  
3 would consume entirely in about 15 years at the present  
4 rate if we didn't import. And this report warned that  
5 the development of offshore should go very slow because  
6 our reserves are probably so very small.

7 We can conserve through two ways. One,  
8 increased efficiency. Estimates currently in circulation  
9 cite that a broad scale potential conservation of energy  
10 of 30 to 50 percent can occur, and this is only an initial  
11 estimate. In the May issue of the JANUARY SCIENTIFIC AMERICAN  
12 article, it concludes that the efficiency of the automobile  
13 can be increased by 40 percent, by 1980.

14 The need to conserve is made even more  
15 acute by the lack of conservation in the development of  
16 conservation in the past.

17 The part of the thorough energy reserve  
18 and department budget proposed by the administration, given  
19 to induce conservation, is only some-tenths of 1 percent  
20 of their entire budget.

21 Solar energy in that proposal receives  
22 only about 9 percent. To conserve in a second way, you  
23 can decrease demand. The 15th of November, 1974, science  
24 suggested that so long as our "per capita" energy  
25 consumption does not go below that of any other developed  
26 nation, we can sustain a reduction in energy use without  
27 long-term deprivation.

28 Our indicators are using the study of

1 health and health care, of education and culture, and of  
2 general satisfaction, the result of their analysis to use  
3 a deprivation of economic indication. The economic  
4 indications they were using were the telephone, radio,  
5 television, automobile and gross national product per  
6 capita, and in that connection they remarked that, to some  
7 extent that these and other appliances can be made to  
8 operate on less energy. We could reduce energy consumption  
9 without deleterious effects.

10           Regarding the possible litigation that  
11 was raised in the staff report recently in Santa Barbara  
12 County, a judge declared that one subject property owner  
13 sued for potential damages, the local water work agency --  
14 they sued the water work agency for declaring a moratorium  
15 on the housing units due to water shortage. The judge  
16 declared a -- a proper remedy was a water connection and  
17 service, not damages. And in regard to their litigation,  
18 that it said it took years to reach a conclusion. Actually,  
19 a substantial part of that is still for the '69 spill,  
20 is a substantial part of that is still going on. The  
21 fishermen are just now readying their case finally.

22           The last point is that there is no  
23 contingency plan for complete assessment of all biological  
24 damage caused by any spill referred to in the oil  
25 contingency plan for the project.

26           If and when permission to drill is  
27 given, we -- because of the effect of the oil spills is  
28 so little known--for example, very little is known about

1 the 1969 oil spill. The work that's been done is subsequently  
2 inadequate and not very scientific and relates mostly to  
3 short-term, directly observable effects. And also for  
4 its own sake, we request such a biological contingency and  
5 plan -- the required production and transfer that -- for the  
6 tankers, it should have two parts: One, a previous baseline  
7 study, completed and kept up to date. For example, the  
8 whole Santa Barbara channel is very poorly understood.

9 The EIR states that for the area of  
10 this project there are various potentials expected by the  
11 spill, hardly at all specifically referred to. That is,  
12 there's hardly any data that just specifies exactly to the  
13 area of the project. It's mostly inferred. So there's  
14 much need for baseline study. Also, this contingency  
15 plan should have a completed component ready for immediate  
16 implementation, to which would determine comprehensively  
17 and conclusively the full biological impact of the spill.

18 The 1969 oil spill is still very little  
19 understood. And I must repeat.

20 Thank you.

21 MR. CORY: I would like to make one thing clear,  
22 that many of the things that you stated in the abstract, we  
23 have a great deal of sympathy for. Unfortunately, in the  
24 term of a legal ramification, some contracts were already  
25 let, which make that difficult for the attorney to have a  
26 free reign of discretion that we would have if these  
27 contracts weren't let. The previous Commission did in fact  
28 let the contract, so that some of the things, although

1 we have to balance whether or not we can pursue total  
2 discretion, economically. And I think that's necessary to  
3 be said so you understand our position.

4 Thank you very much, sir.

5 MR. KELLOGG: You're welcome.

6 MR. NORTHROP: Mr. Chairman, at the conclusion  
7 of the proponents, the attorney's office will read articu-  
8 lation of --

9 MR. CORY: Anyone else wish to speak in  
10 opposition?

11 MR. NORTHROP: We have the proponents, Mr.  
12 Chairman. There have been 10 people who wish to speak in  
13 favor of the proposition, including Mr. Hundley from  
14 Atlantic Richfield. And we'll take them in alphabetical order,  
15 and save Mr. Hundley to summarize, if that meets with your  
16 approval.

17 Along that line, the first man alpha-  
18 betically is Charles F. Armin, District Director for  
19 OCAW Union, Oil, Chemical, and Atomic Workers Union. He  
20 would like to speak in favor of the proposition.

21 MR. ARMIN: My name is Charles F. Armin, and  
22 I'm the District Director for the Oil, Chemical, and Atomic  
23 Workers Union here on the west part of the United States.

24 I think if you were to look at the  
25 amount in our organization, you could understand that any  
26 time there seems to be some kind of an environmental  
27 question raised the people that ARCO represent somehow get  
28 involved.

1 We support the resumption of drilling  
2 in the Santa Barbara channel on Platform Holly.

3 I'll make my remarks very simple and  
4 as brief as I possibly can. I think the matter should  
5 probably be summed up in the following way.

6 Number one. There is already an  
7 existing platform that has been constructed, and there's  
8 been no excessive addition to the platform.

9 Number two, the platform was designed  
10 for 30 drilling rigs, 30 well sites, only 13 of which has been  
11 completed and the additional 17 wells can be drilled  
12 without any substantial change or additional environmental  
13 question raised.

14 The pipeline facilities to carry the  
15 oil from rig to shore from shoreline facilities that are  
16 needed with the exception of the sulfur refinery areas  
17 have been completed and there's been no additional environ-  
18 mental questions raised there.

19 It is our feeling that the oil is  
20 badly needed. We recognize that -- the fact that oil is  
21 the major source of conventional energy that we now have  
22 available to us. California is an oil-short state, in  
23 the sense of feeding its existing refineries to the extent  
24 that they cannot meet domestic needs to the people here on  
25 the western part of the United States.

26 We're still a long ways off of getting  
27 the oil from Alaska, off the north shore, or other places  
28 which will help to alleviate these needs. And we feel that  
29 resumption of this drilling can be accomplished and should



1 be done, and we urge that the Commission vote in support  
2 of this resumption.

3 MR. DYMALLY: Thank you.

4 MR. NORTHROP: The next is Mr. George V. Castagnola.  
5 Mr. Castagnola is in private enterprise in Santa Barbara.

6 MR. CASTAGNOLA: Mr. Chairman and members of  
7 the Commission, my name is George Castagnola. I have been  
8 a son of Santa Barbara, born and raised there. My dad  
9 was a fisherman. I've been through the channel for many  
10 years and seen what's going on. There's no big problem.  
11 And I'm going to get to the platform.

12 I hope the State of California, some  
13 also will be able to help us out on, the natural seepage  
14 that's out there.

15 I'm glad that Lieutenant Governor was  
16 out there yesterday and saw firsthand that there is oil  
17 seepage coming through every day. Now, they want to drill  
18 17 more platforms, 17 more wells of the same platform,  
19 without even changing that platform.

20 They want to use the existing facilities.  
21 There will be no changes affecting the environment, and  
22 believe me, we are all interested in environment; everybody  
23 is in what we do.

24 It will increase the royalty to the  
25 State from 6,700,000 to 40,000,000.

26 Now, somebody may say, "Well what's  
27 money? It's only money." But we're spending it faster  
28 than we can make it. We have more welfare problems than

1 we ever have. So no matter what you call it, we're going  
2 to need more of that green stuff all the time.

3 Under the proper conditions--and I want  
4 to compliment you for one thing; first of all that the  
5 State of California under offshore rigs and the State Lands  
6 have had, if any at all, very few minor accidents. And  
7 that, Gentlemen, I want to attribute to the fact that  
8 you have guidelines. You have strict regulations for those  
9 guidelines, as Mr. Chairman here just said. I think it's  
10 wonderful to get the protection. We need them as well as  
11 getting the oil and gas out of there.

12 We need employment. These wells are  
13 going to employ more people. It's going to give us some-  
14 thing that we need. It's going to give us a shot, to oil  
15 related businesses that are in there. It will increase  
16 the production of natural gas.

17 Now, the thing that I can't help forget,  
18 is last night's newspaper. I seen Southern California Gas  
19 Company wants to raise the rates again. Why? They say  
20 they can't get enough gas.

21 You know, and I think of the aged,  
22 I think of these old people, I think of the people that  
23 are retired. God knows things are high enough now. And  
24 if this thing keeps going on, it just makes a burden on  
25 them and the rest of we taxpayers.

26 If they are allowed to drill the 17  
27 wells, I understand that they will be getting 14, approxi-  
28 mately 14 million cubic feet per day, which is two and a

1 half times the consumption of the Santa Barbara City area.  
2 And I think this is great.

3 They paid advalorem taxes of \$797,000  
4 in 1974, and this is no small amount of money.

5 I just want to say, Gentlemen, that  
6 I feel as a native son, as a heavy taxpayer, that the gas  
7 is out there, oil is out there, we need it, we need the  
8 money, we should go out and get it.

9 And Atlantic Richfield, I want to  
10 say firsthand because I have operated and seen them operate,  
11 they're good operators. And with your restriction, I'm  
12 sure it would be the thing to do.

13 Thank you very much.

14 MR. CORY: Any questions from the members?  
15 Pardon me, sir, what business are you in?

16 MR. CASTAGNOLA: I am in the restaurant  
17 business at the present time. We had the Santa Barbara  
18 Wharf Company before the franchise let up. We now run a  
19 restaurant on the pier. We also have a business of loading  
20 and unloading the boats from the pier to the oil platform.

21 That's what I say. That's some first-  
22 hand deal on the Atlantic Richfield and their operations.

23 Any other questions?

24 MR. CORY: Thank you.

25 MR. NORTHROP: Mr. Don Cole, business manager  
26 of the Sandpiper Golf Course has requested permission to  
27 speak.

28 MR. COLE: Gentlemen, as stated, I'm Don Cole

1 and I am the business manager of the Sandpiper Golf Course.

2 We're a public golf course located  
3 immediately adjacent to the Atlantic Richfield shore  
4 facility, shore site, with Platform Holly located off our  
5 shoreline. And as such, it's our observation, since we've  
6 been there, that Atlantic Richfield conducts their existing  
7 operation in a good and workman-like manner. We feel that  
8 the resumption of drilling on Platform Holly will have  
9 a beneficial effect on the local economy.

10 And being a public golf course dependent  
11 upon public play, we certainly feel the effects, economic  
12 belt of the surrounding area.

13 Additionally, the tax dollars generated  
14 from the increased Atlantic Richfield's assessed valuation  
15 would help relieve the ever-increasing tax burden upon the  
16 taxpayers within the county.

17 Therefore, we would like to also  
18 recommend that you approve the resumption of continuation  
19 of drilling operations on Platform Holly in accordance  
20 with the original concept for the platform.

21 MR. CORY: Thank you. Any questions?

22 MR. NORTHROP: Next is Mr. Taylor Hancock,  
23 vice-president of Global Marine, Incorporated.

24 MR. HANCOCK: My name is Taylor Hancock as  
25 indicated. I'm vice-president of Global Marine, which is  
26 a company with its headquarter in Los Angeles.

27 Our principal activity is drilling for  
28 oil and gas wells throughout the world, primarily in the

1 oceans of the world. We have a fleet of 12 drilling rigs.  
2 We've drilled for oil and gas approximately 60 different  
3 countries of the world, and I believe it's in the neighbor-  
4 hood of eight states of the United States including the  
5 Great Lakes.

6 Our company originated the concept of  
7 drilling from a floating platform, and we have the largest  
8 fleet of drilling ships in the world.

9 We have within our company, approximately --  
10 and I counted this morning -- 120 rigged years of experience.  
11 That is the equivalent of one well drilling for a term of  
12 120 years.

13 I haven't counted up the number of wells,  
14 or the number of feet drilled. It would be respectively in  
15 the thousands, and in the hundreds of thousands.

16 In all of this, we have not experienced  
17 one instance of oil spill or pollution. We are not neces-  
18 sarily unique in that regard. It is an extremely rare  
19 thing that you have any serious or significant oil spill,  
20 or oil pollution in the drilling for oil and gas in the  
21 oceans or the seas of the world.

22 While everything we do in life has some  
23 risk attended to it, being here this morning. It is hard  
24 to conceive, however, of any industrial or commercial  
25 activity in which we, modern man -- modern man and woman,  
26 have less attended risk involved than the drilling of oil  
27 or gas wells, land or marine.

28 Most wells drilled by our company,

1. incidentally, and I think this is important, are in  
2. unexplored areas, where if there is any risk, there is  
3. actually greater risk of loss of control of wells because  
4. of the fact the geology of the area is not known. Therefore,  
5. you have to proceed very tenderly, but you're never  
6. sure when you're going to hit a high pressured zone, hydro-  
7. carbons.

8. In contrast, wells that are drilled in  
9. a proven area have much less of a chance of encountering  
10. a loss of control situation, since the substrata is known  
11. and therefore can be accommodated far ahead of time.

12. This consideration today is, of course,  
13. a classic case of this. As far as the resumption on  
14. continuation, Governor, of drilling of Platform Holly,  
15. the field is known, the field is developed. There are  
16. probably very few fields in the world left to drill today  
17. where more is known about what's down there and more has  
18. been done; to be sure. I might also -- I would like also  
19. to say that today's equipment, testing, operating procedures,  
20. programming, safety training and the extreme consciousness,  
21. and therefore the extreme caution that exist in operating  
22. in an area such as the classic Santa Barbara, particularly  
23. Santa Barbara, insures even less of a risk of any loss  
24. of control situation.

25. In my work, I visited most of these  
26. 60 countries that we worked in. Ever since 1969 Santa  
27. Barbara has become a byword. When they say, "We don't  
28. want a Santa Barbara here" -- when they say that, they don't

1 want the oil spill.

2                   Because of that, there isn't a person  
3 in the oil business -- if ARCO would fly in somebody from  
4 the darkest part of the Middle East, or from anyplace you  
5 can think of in the world, to go out there on that platform,  
6 who is in the oil business anyplace, out of Iran, out of  
7 Saudi Arabia, you name it, that person would be extremely  
8 conscious of -- "My God, here I stand in Santa Barbara,  
9 I'd damn well better be careful." No question about that.

10                   We feel, incidentally, we Global  
11 Marine -- or I, as a representative of Global Marine,  
12 am extremely qualified, really, here to testify here  
13 this morning because of the fact that we are so terribly  
14 aware of this situation in our business.

15                   We find throughout the world that all  
16 oil operators are cautious to the nth degree, to the extreme.

17                   Once you get into pollution, there's  
18 no consideration about money. There's no consideration  
19 about time. By God, if there's any danger of pollution  
20 near, stop drilling. We can't afford that kind of an  
21 accident or incident to occur.

22                   Somewhat incidentally, but I think  
23 importantly, almost through --

24                   Global Marine itself does not drill  
25 from platforms. All of our work is done from a floating  
26 ship or in one case a barge.

27                   This might lead to the preliminary  
28 conclusion that we don't qualify to testify here, but

1 in fact, I think it makes us well-qualified.

2 Even though we drill more exploration  
3 wells than production wells, we as a company, have long  
4 sought to be able to drill oil and gas wells in the  
5 productive mode. We have had some success at this. We  
6 have drilled and completed two productive fields very near  
7 where this platform is.

8 One is an oil field with approximately  
9 22 wells, and the other is a gas field with approximately  
10 12 wells.

11 And Governor, I'll venture a guess that  
12 you probably don't know about this and many people in your  
13 group probably don't either. Because you can't see it.  
14 It's not visible. The oil wells are produced out of the  
15 water. There's never been a leak of any kind or has there  
16 been any pollution.

17 These wells, these wells in the fields  
18 have been there for well over 10 years. They're producing  
19 today, as far as I know. They're producing today. They  
20 have been in the recent past.

21 The point is the same thing in a sense  
22 is true here in that there is going to be no "visual  
23 pollution."

24 I don't approve of that term because  
25 to me an oil platform is a beautiful thing, like a refinery.  
26 When you're in the oil business, it's beautiful. Like a  
27 shoemaker's shop is beautiful to a shoemaker, I suppose.

28 I would also like to say that our



1 company is extremely qualified to say something here this  
2 morning because of the adverse effect that the moratorium  
3 had on our business when as a result of the 1969 episode,  
4 all drilling on oil and gas leases was stopped in the  
5 State of California.

6 One of our drilling rigs, which at  
7 that time represented about 12 or 13 percent of our fleet,  
8 was shut down and remained shut down for some five years.  
9 It was a rig that was peculiarly adopted to drill here in  
10 California.

11 I'm glad to say, confirming the Governor's  
12 information, that it is out drilling today on a federal  
13 lease.

14 But this resulted in a severe loss of  
15 income to our company. Absolutely and unequivocally a  
16 loss of jobs and adverse effect on the economy of the  
17 Santa Barbara area and the Southern California area. In  
18 addition to the loss of valuable oil and gas resource,  
19 which undoubtedly during that five-year period of time  
20 would have been produced by the wells today. From the  
21 wells that rig would have drilled if it had been drilling.

22 Thank you very much.

23 MR. CORY: Thank you very much.

24 MR. BELL: No questions.

25 MR. NORTHROP: Mr. Hotchmuth, past president  
26 of the California Wildlife Federation.

27 MR. HOTCHMUTH: Mr. Chairman and honorable  
28 Commission. I'm not here today to -- I have a very brief

1 statement, I'm not here to support the ARCO application.

2 I'm here today to support the principal that we must resume  
3 oil and gas drilling on the Colifornia coast for a number  
4 of reasons.

5 The California Wild --

6 And I'm past president of the California  
7 Wildlife Federation and consultant, consultant to the  
8 National Wildlife Federation. I've been lifelong in con-  
9 servation and wildlife work.

10 In June of 1973, the California Wildlife  
11 Federation enacted a resolution into the Secretary of the  
12 Interior to resume leasing and production on the -- on  
13 the OCS, under a stringent set of environmental considera-  
14 tions. In that respect, what we're attempting to do was  
15 to have the Feds use the same safety restrictions and  
16 inspection restrictions and environmental consideration as  
17 does the State of California.

18 We wish to commend the State Lands  
19 Division for its past record in this respect.

20 And later in March of 1974, the National  
21 Wildlife Federation enunciated its policy in this matter.

22 Let me read it, it's very brief.

23 MR. CORY: Before you do that, can I interrupt  
24 you for just a second?

25 MR. HOTCHMUTH: Yes.

26 MR. CORY: I notice the arrival of the City  
27 Manager, John Mansell, and I'd like to acknowledge his  
28 joining us and being here.

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MR. NORTHROP: Off the record.

(A discussion was held off the record.)

MR. HOCHMUTH: Two more minutes.

MR. CORY: Go ahead.

MR. HOCHMUTH: Let me read the very, very brief resolution of the National Wildlife Federation.

"Offshore oil exploration, production should be undertaken only after, one: The locations are coordinated with overall on-shore land use or coastal zoning management plan by units of government at all levels, which fully protects public recreational wildlife values.

Two. Wells are fully equipped with fail safe preventative devices.

Three. Assurances are provided for inspection and monitoring of safety precautions by responsible government officials.

And four. Bonds to insure containment and clean up of spills as required."

Now, in listening to the discussions this morning, it would appear that the State of California is moving in that direction, or has already arrived at that direction. The federal government has not.

So, to conclude, we think that the oil and gas can produce from the coast of California without

1 any permanent environmental degradation. The only time  
2 we would -- we propose to support economic development,  
3 is one, it does not produce permanent and substantive  
4 environmental degradation, irreversible degradation. If  
5 it does, then we will oppose it 100 percent.

6 If it will cost temporary, but it's  
7 not lasting, then we think that we should look at the whole  
8 picture and support it if we have the necessary environ-  
9 mental protection.

10 Thank you.

11 MR. CORPY: Thank you very much.

12 MR. NORTHROP: The next in alphabetical order  
13 is Mr. Clarence Howard, who claims to be a business  
14 representative of Local 12, but he neglects to say in which  
15 union.

16 MR. HOWARD: Thank you. Members of the  
17 Commission, my name is Clarence Howard. And Controller  
18 Cory, Lieutenant Governor Dymally, Director of Finance  
19 Bell, I certainly appreciate you people coming down here  
20 personally to see this thing instead of sending someone  
21 else.

22 MR. DYMALLY: Will you give us your union  
23 affiliation, please?

24 MR. HOWARD: My union affiliation is the  
25 International Union of Operating Engineers, Local No. 12.

26 And Lieutenant Governor Dymally, I  
27 appreciate the fact that you yourself went out and did  
28 a little research on this.

1 I am a construction worker and operating  
2 engineer, and needless to say, a user of energy. And like  
3 many other people of this nation, a very concerned citizen.  
4 Concerned with what is happening to America because of the  
5 red tape, hearings and reviews by such political means as  
6 the State Lands Commission to delay or stop from, again  
7 being a self-sufficient country.

8 I am what you say, one of the silent  
9 majority.

10 And frankly, the silent majority is  
11 going to become more vocal, and vocal to the point that I  
12 honestly feel that it's going to wind up turning to  
13 violence.

14 When this silent majority wakes up to  
15 what is happening and realizes how it has happened, when  
16 they realize that foreign powers by misuses of issues  
17 such as environmental issue can come so close to totally  
18 crippling the economy of this nation, they'll no longer  
19 be the silent majority.

20 I have a good example, Governor, of  
21 allowing the nation right here, slowing this nation right  
22 here. There's an oil field in the Santa Barbara area,  
23 the Atlantic Richfield Company, an existing oil field,  
24 and not a new area, yet you have not permitted them to  
25 sink more wells in the same area. And I cannot see by  
26 any stretch of the imagination--see where this would have  
27 any impact on the environment.

28 Sure, you'd have a view of the derrick

1 where they were drilling on the in-shore area, but as soon  
2 as the well is drilled, the drilling system is all gone.

3 They're not like the old derricks of  
4 years back, when you drilled the wells you left the derrick  
5 up there. It's going to return to what it looked like  
6 before.

7 I cannot see where it could come under  
8 Proposition 20. It states in Proposition 20, where there's  
9 a significant impact upon environment, they'll be an  
10 environmental impact report.

11 This is an existing field, yet it has  
12 been delayed and delayed. And no one can show any reason  
13 for the delay.

14 Sure, we may spill some oil in the  
15 Santa Barbara channel. Well, Old Mother Nature has been  
16 spilling oil in there from the beginning of time, and  
17 nobody ever came up to her and told her to put out an  
18 environmental impact report.

19 We need this oil and we need this gas.

20 People say in five years. Sure, in five  
21 years we're going to need it. We need it now. We should  
22 have never ran short of oil and gas products to the point  
23 where any nation such as the Arabs could get us under their  
24 thumb. This should have never happened.

25 You hear people say, if we use our own  
26 energy resources we're going to run out of them. This is  
27 the biggest piece of nonsense I've ever heard.

28 America is a most vital country. Let her

1 stand on her own feet, and let her develop her own energy  
2 resources.

3 Then the foreign nations will realize  
4 they'd better come around and talk with us. It will again  
5 be the law of supply and demand. If we have our own  
6 supplies, there will be less demand for the Arab oil. And  
7 believe me, their prices will come down. Then will be the  
8 time to use a foreign oil and gas. And then will be the  
9 time to conserve our own energy resources.

10 Not now, at a time when every American  
11 themselves, every wage earner, needs every nickel he can  
12 get on his check. He doesn't need to pay out another nickel,  
13 dime, quarter, or whatever for each gallon of gas. Nor  
14 does he need to see a continual flow of dollars going over-  
15 seas.

16 I, like so many others, cannot help but  
17 be suspect of anyone or any governing body that is going to  
18 do anything for whatever reason, that is going to do anything  
19 to hinder America.

20 It is no secret that I was not in favor  
21 of Proposition 20 when it went on the ballot.

22 And I am not in favor of the Postal  
23 Commission continuing. But in the meantime, we do have it,  
24 let's live with it. At least it is an American act.

25 It's time, Gentlemen, in fact it's  
26 past time to use our own natural resources.

27 I would like to take a good hard look  
28 at what is happening. You as the State Lands Commission

1 have an opportunity to correct part of it, if only a small  
2 part.

3 And I say, point blank, as a working  
4 man and a taxpayer, take a good hard look at America. Don't  
5 hold up the drilling. Let's think America, just a little  
6 bit. And get off our duffs. Quit hindering when we  
7 should be helping America. And let's speed up the drilling.

8 Thank you.

9 MR. CORY: Any questions?

10 No questions.

11 MR. NORTHROP: Howard Hogue, vice-president of  
12 the Tidewater Marine Service, Incorporated.

13 MR. CORY: Any members?

14 MR. DYMALLY: Mr. Chairman, I don't wish to  
15 curtail anyone's observation on this, but because we have  
16 another scheduled meeting with the Attorney General's office  
17 I wonder if the witnesses for proponents can expedite  
18 their testimony.

19 MR. HOGUE: I understand that, Mr. Dymally.  
20 I'll keep my remarks short and try not to be repetitive  
21 of what's already been said.

22 Mr. Chairman, members of the Commission.  
23 Basically, I would like to speak towards things that I  
24 think are positive towards this 17-well program from the  
25 standpoint of the small businessmen and the small people  
26 of the community.

27 I took it on myself before coming to  
28 this meeting to see if I could find out about hitting just



1 the top of the iceberg, how many small companies in the  
2 Southern California area directly--directly related to  
3 servicing in the offshore industry in some way as their  
4 principal business. And I came up, with very little effort,  
5 with five hundred names of companies.

6 I'd be glad to make that list available,  
7 if you would like.

8 MR. CORY: Do you have that with you; can you  
9 make it a part of the record?

10 MR. HOGUE: I have it, and I'd be glad to  
11 give it to you if you would like.

12 Further from that, I'm fearful that  
13 sometime the impression is given that everybody in Santa  
14 Barbara is opposed to oil. And this is not the case.

15 That's a town when we had in November--  
16 when I checked on the figure last, twenty-six hundred  
17 families on food stamps. And they had -- we are now in  
18 1975, in the fifth year of continuous unemployment over  
19 6 percent. And I'm sure it's substantially more than that  
20 at this hour today, since last November.

21 This 17-well program in addition to  
22 moneys that have been amply demonstrated that would go to  
23 the State, would generate something over \$1,000,000 to the  
24 County of Santa Barbara. A large part of which could go  
25 to the school system.

26 The voters in the last election voted  
27 out school bonds at a better than two-to-one ratio. And  
28 in a growing community we are cutting back right this

1 minute on the school program for the next year because  
2 there are insufficient funds for those programs.

3 Second from taxes, a thing like that  
4 generates a lot of jobs for laundries, land transportation,  
5 water transportation, hardware, rope, soap, nuts and bolts.  
6 Everybody in that community that's a small businessman  
7 participates in some way. And they should not be overlooked.

8 I'm fearful too, that one thing the  
9 federal government points out daily that we need to be  
10 more conscious here. And that's in the LOS ANGELES TIMES,  
11 in the last week there was an article saying that El Paso  
12 Gas negotiating with some of the entities in this community  
13 were advising them of the possibility, even a probability  
14 of the reduction in the available gas and an increase in  
15 the price.

16 And that is going on not just in the  
17 Los Angeles area but I'm sure in other communities in  
18 California.

19 In Texas, in the last 10 days, and also  
20 in Louisiana on a trip not related to this, I talked with  
21 some very responsible people. And asked a question, "What would  
22 happen if you, due to the shortages and price increase of  
23 foreign oil, get in a bind for Texas and Louisiana industries,  
24 would you continue to ship priority gas to other states?"  
25 They'd do the best they can, but they would have no choice  
26 but to protect their own citizens in their own entities  
27 first.

28 Based on that, I feel it's paramount

1 in the responsibility of the people running the State  
2 government to give consideration to having our own sources  
3 of oil and gas available. Should some untold event occur  
4 that we would find ourselves under shortage, we can turn  
5 on the valves of what we own and control here in California.

6 Lastly, I'd like to say that I'm  
7 pleased to see that this Board and the oil industries are  
8 really not in an adversary position. But I think this is  
9 a highly intelligent group.

10 I think the oil industry with its key  
11 executives, in spite of some of the bad press that it had,  
12 has plenty of responsible people. And I think your group  
13 and that group working together on a case-by-case basis  
14 can develop the appropriate oil fields with the appropriate  
15 safeguards.

16 Unlike television, where everybody in  
17 the white hat is a good guy and everybody in the black hat  
18 is a bad guy, the oil industry, like any other industry,  
19 has got some good situations that will come before you,  
20 and some that will not be so good. And so I'm hopeful  
21 that you will take on a case-by-case basis and work with  
22 the people that have a good safe thing that looks like it's  
23 responsible and reject those that are not.

24 I'm hopeful also that we can avoid  
25 all the unnecessary delays because those school systems --  
26 these people that are unemployed are with the State --  
27 the oil that we need should not be further repressed or  
28 delayed on unfounded fears by people that perhaps, while

1 well-intended, don't know all the facts)

2 Those tankers are not starting to go  
3 into Ellwood, they were going for nine years. And they have  
4 not had a spill. And they have been going for 20 years  
5 in Carpinteria under Standard, and they have not had a  
6 spill that I am personally knowledgeable of. So I think  
7 they can certainly continue that good record with some  
8 safety.

9 Thank you very much.

10 MR. CORY: Any questions?

11 MR. NORTHROP: Mr. Robert L. Kubik, attorney  
12 for Mobil Oil Corporation coming from Denver, Colorado.

13 MR. KUBIK: I just have a brief statement to  
14 read.

15 Mr. Chairman, members of the Commission,  
16 my name is Robert L. Kubik. I'm an attorney with Mobil  
17 Oil Corporation. I'm here today with respect to the  
18 discussion on Atlantic Richfield's previous permission to  
19 drill 17 new oil wells on Holly platform.

20 Mobil Oil Corporation is part owner of  
21 this platform and supports ARCO's request.

22 In order to conserve time, I won't  
23 repeat the information on the drilling site already  
24 presented to you. The facts are clear as noted, and need  
25 no further elaboration.

26 However, it should be pointed out that  
27 the implementation of this platform will have a three-fold  
28 benefit providing more badly needed oil, increasing royalty

1 revenues to the State, and in some instance some lessening  
2 of the nation's dependency on foreign supply of crude oil.

3 The Commission on December 19th, 1974,  
4 approved ARCO's request to complete its original development  
5 plan from Holly platform by issuing approval to the drilling  
6 of 17 new wells.

7 This approval ~~their~~ permission issued  
8 pursuant to said approval were arbitrarily suspended by  
9 the Commission on January 14, 1975.

10 An affirmative vote at this time on  
11 ARCO's request will allow for the production of a consider-  
12 able amount of vitally needed oil in a manner consistent  
13 with the necessary safeguards to protect the environment.

14 Mobil is permitted to produce at its  
15 maximum in energy potential provided this level is con-  
16 sistent with good environment practices.

17 Positive action by the Commission on  
18 ARCO's request will help in fulfilling this commitment  
19 and at that -- the same time assist the nation in its  
20 quest for establishment of self-sufficiency and supplies.

21 MR. BELL: Mr. Chairman?

22 MR. CORY: Mr. Bell.

23 MR. BELL: Just a comment, Mr. Kubik, I did  
24 not consider my vote in January to be arbitrary.

25 MR. CORY: May I ask a question. You are  
26 employed by Mobil?

27 MR. KUBIK: Yes, I am.

28 MR. CORY: You're here as their representative?

1 MR. KUBIK: Yes, I am.

2 MR. CORY: The actual platform in the field  
3 is an undivided interest between ARCO and Mobil?

4 MR. KUBIK: Yes.

5 MR. CORY: And so, in this case ARCO is your  
6 agent for negotiating the terms and conditions of these  
7 permits?

8 MR. KUBIK: Yes. We have an operating agree-  
9 ment with ARCO, and they do have the responsibility for  
10 operating the platform and doing --

11 MR. CORY: So that when ARCO agrees, you're --  
12 they're doing that with your blessing?

13 MR. KUBIK: Well, ARCO has--as the operator,  
14 ARCO has the authority to do whatever is necessary.

15 MR. CORY: Okay. Thank you.

16 MR. NORTHROP: Richard W. Mansfield,  
17 legislative advocate for the Trade Council of California.

18 MR. MANSFIELD: Mr. Chairman, and my good  
19 friend Mr. Cory and Mr. Bell, Governor Dymally, I want  
20 to thank you this morning for affording me the opportunity  
21 to appear in front of you and express the opinion of four  
22 hundred thousand some odd members of the State Building  
23 and Construction Trades Council of California.

24 I have appeared in front of you before  
25 on this issue of resumption of drilling in the State  
26 tidelands.

27 I want to state for the benefit of  
28 Mr. Dymally, that I've lived in Santa Barbara from 1929 to

1 1969. I was educated in the Santa Barbara City School  
2 System. I, like Mr. Castagnola, have been all over that  
3 channel. I was employed in drilling operations for Signal  
4 Oil and Gas Company in the Ellwood area. And I'm very  
5 familiar with the operation of the State Lands Division.  
6 And I want to compliment the division upon their proposal  
7 this morning and the resolution that they are recommending,  
8 and I urge your adoption.

9 I'd be very happy to answer any  
10 questions.

11 MR. CORY: Thank you very much.

12 MR. NORTHROP: Mr. Bob McHale, business  
13 representative for I.U.O.E. Local No. 12.

14 MR. McHALE: I'm Bob McHale. Pardon me.

15 Mr. Chairman, members of the Commission,  
16 I'm Bob McHale. And I would like to express my gratitude  
17 for you, for the opportunity to express my feelings on  
18 this -- I -- speaking for this.

19 And my qualifications -- I don't know  
20 just how good they are. I'll go over them real quickly.

21 I started as a rototiller in 1974,  
22 derrick man, driller, business rep, representative of  
23 Local 12. I did quite a bit of offshore work for derrick  
24 barges, so forth, that do work around the platforms.

25 The main thing I wanted to go over  
26 what I gathered from the papers, maybe I'm wrong, I hope  
27 I am. It looks to me like many branches of the government  
28 is looking for a piece of the action out there. And it's

1 costing us dollars, and delays.

2 Now, I hope this isn't true. I read  
3 it every day in the paper, and the delays is costing us  
4 a lot of money and they're using -- I feel they're using the  
5 ecology as a leverage. And I hope there, I'm wrong  
6 too. Because this is the only matter that should be  
7 considered, is the ecology. We're all interested in the  
8 ecology.

9 Now, to get back to ecology, I've  
10 seen natural seepage out there, and it's quite a bit. We  
11 worked on derrick barges; in fact, I've overhauled many  
12 mines, tanker moorings, off the coast. Worked on these --  
13 and these companies are extremely cautious today.

14 And I've seen this stuff just ball up  
15 on the bottom. And one way to reduce this would be production,  
16 to reduce the pressure. It's the only way that it could  
17 relieve the pressure on this seepage.

18 Now, on the pro's side on the ecology  
19 and how many spills we can get out there, when I first  
20 started in the oil fields we didn't know anything about  
21 it. We'd come on brand-new hands, didn't know what the --  
22 what valve to turn on or what to do. When there was a  
23 blow-out, we were in real trouble. I experienced two  
24 blow-outs myself. And at that time I did gain enough  
25 experience to where we got them under control. At one time  
26 this was as a derrick man, and one time as a driller.

27 The crews they had in the Santa Barbara  
28 channel are not experienced from what I can gather, the



1 information that I can gather at that time.

2 I talked to crews, and they did everything  
3 wrong on that job.

4 Today, I, as a business rep, we represent  
5 the drilling crews. This is what I'm doing. And I am  
6 on their jobs every day. And they have -- the operator  
7 is paying as much as \$140 an hour for these rigs, but they're  
8 taking time, and having a blow-out drill. They're shutting  
9 down their operation, so to speak, to have a drill, to  
10 teach these roughnecks, these new hands coming into the  
11 fields, they're sending them to school, the contractors.  
12 So it's a whole lot different now than it was then.

13 Another thing that blow-out that they  
14 had in -- I believe it was '69, it's woke up everybody.  
15 It woke up the workers. It's woke up the oil companies.

16 I for myself, don't see where we're  
17 going to have another one. I know the oil companies can't  
18 come out with that statement because they're a conservative  
19 group. And they look at it like it may happen. But with  
20 the crews we have today, I don't see where we're going to  
21 have it.

22 And the need of the oil is -- it far  
23 outweighs any chance that there would be a blow-out. And  
24 I understand if there is a blow-out, they have the equip-  
25 ment to clean it up very quickly.

26 This inflated price -- the longer we  
27 delay this, we pay more and more.

28 The Middle East is investing money --

1                   It's no use going over this, we all know  
2 what's going on.

3                   The thing to do is, we got to drill  
4 now. We need the jobs now. I talked to hands all along.  
5 I talked to people in construction who don't have anything  
6 to do with drilling. When are they going to get that darn  
7 thing going out there? It's costing us work. This energy  
8 thing, is costing a lot of people work. It doesn't just  
9 have to be a roughneck, a driller. It's costing jobs all  
10 over. And if we run short of natural gas, it's going to  
11 start shutting down plants.

12                   Since that channel's been shut down,  
13 our production -- I don't know the figures, but it's dropped  
14 off quite a bit of natural gas in this area. And they're  
15 raising the rates, as one gentleman before mentioned, and  
16 my wife's mentioned it to me, too. We can't go this route.

17                   So I'm going to close. This is my  
18 feelings. The feelings, the general feeling of our  
19 membership that they want this offshore drilling.

20                   It's not only that, the P.T.A. in my  
21 area -- I have talked to many people there. These people  
22 don't know anything about it, but when I informed them of  
23 the situation, they're for it.

24                   I think if people were informed of  
25 the fact that we can drill the wells cleanly and safely, the  
26 only pollution we're talking about is a spill. And if the  
27 people are informed and know that we can drill this today,  
28 and they know what's happening to us in dollars and cents

1 and inflation, I think they'd be with us.

2 I think a lot of people--a lot of  
3 people are with us that we don't know about right now.

4 Thank you.

5 MR. CORY: Thank you, sir.

6 MR. NORTHROP: Mr. W. B. Wood, assitant vice-  
7 president for Southern California Gas Company.

8 MR. WOOD: Thank you. I'll try to shorten my  
9 remarks to make them brief.

10 I'm here to speak in support of the  
11 Atlantic Richfield proposal and also to speak primarily  
12 to the natural gas side.

13 Southern California Gas Company is  
14 the largest natural gas distribution company in the United  
15 States. We serve over twelve million people through  
16 three million customer meters. The point of importance is  
17 94 percent of Southern California residents use gas for  
18 water heating; 92 percent heat their homes with gas,  
19 and 77 percent cook with gas. We deliver the daily energy  
20 equivalent of the output of 70 Hoover Dams.

21 We have been the dominant energy  
22 supplier in the area for stationary uses for many years.

23 Our gas supplies have been declining  
24 since 1970.

25 In the past and through 1960 as  
26 California gas supplies declined, we were able to go to  
27 out of state to get new supplies from West Texas, New  
28 Mexico, and Oklahoma.

1           In 1969 those suppliers from those  
2 areas informed us that they could supply us no new supplies.

3           And, in fact, we are now being curtailed  
4 by about two hundred and fifty million cubic feet per day.

5           That's an energy equivalent, the volume  
6 of energy output of the Los Angeles Department of Water  
7 and Power, the largest municipal electrical utility in  
8 the country.

9           Overall our supplies has declined by  
10 about 20 percent since 1970, and supplies in California  
11 has declined over 75 percent since 1968.

12           Regarding this proposal, we expect  
13 that about fourteen million cubic feet per day would  
14 be produced from this drilling, if it's allowed. That's  
15 enough to supply the gas needs of over 50,000 average  
16 residence customers.

17           Although it's not a major supply  
18 addition, it's typical of the type of supply additions  
19 that we have received from California in the past and have  
20 not received in the recent years.

21           Our supply today, from California is  
22 about one hundred million cubic feet per day, so it's  
23 about 15 percent of that. But that supply has declined  
24 from over six hundred million cubic feet per day in 1968.

25           The development program would take  
26 about 18 to 24 months, so the gas supply maximum delivery  
27 would come to us about 1977. This is a very critical time  
28 period for us.

1 Right now, our service to electrical  
2 generating customers is virtually nonexistent, and without  
3 new supplies we may have to curtail customers. That's  
4 homes, businesses without alternate fuel supplies in 1978 --  
5 in a cold year that it could occur in 1977.

6 We have major supply projects planned  
7 for other areas, but we don't expect them to be in by  
8 then. The only way to solve this short fall is drilling  
9 from traditional sources.

10 We believe that the health and well-  
11 being of the people and businesses of the area are  
12 significantly affected by the availability of natural gas.

13 Alternate sources of energy are not  
14 easily used to replace natural gas.

15 Coal has never been important locally,  
16 and has never been acceptable from an environmental stand-  
17 point. Fuel oil has been used primarily by electric  
18 generating customers, but many of our customers that I  
19 mentioned earlier, have no alternate supplies.

20 Electricity cannot take up the slack  
21 of the decline in the natural gas supply.

22 As I mentioned, the decline in our  
23 California supply is over five hundred billion cubic feet  
24 per day. That is equivalent to the energy output of the  
25 Southern California Edison Company. You simply can't  
26 build electric facilities to replace the supplies, decline  
27 in supplies of that magnitude.

28 The only alternative is to hope that

1 the customers could use fuel oil, and use foreign fuel  
2 oil at that.

3 Adequate energy supplies for the coming  
4 area are critical. Our major supply programs can bring  
5 gas for many new areas, but we need all we can get.

6 We shouldn't overlook local supply.  
7 The offshore areas are a case in point. We recognize and  
8 understand the environmental concern related to the offshore  
9 drilling production, and we recognize and support for -- the  
10 need for the appropriate safeguards.

11 We believe that Atlantic Richfield  
12 is capable of operating in a safe, environmentally accept-  
13 able manner.

14 The risk of not allowing proceeding  
15 with that project is even greater, and we can't afford  
16 that.

17 Conservation efforts will help greatly,  
18 but they will not solve the problem.

19 We're active in a number of areas,  
20 including solar energy. And they simply won't be in the  
21 time frame that we're talking about.

22 In summary, California -- Southern  
23 California is in an energy-short region. Alternative forms  
24 of energy will not solve the needs of our customers. We  
25 believe the proposed project will be accomplished in an  
26 environmentally safe manner. Additional supplies of gas  
27 are needed in California area even with active conservation  
28 programs. We cannot afford to leave these gas resources

1 there, shut in in the ground. Development of local  
2 supplies, such as South Ellwood, are necessary to help  
3 offset the impact of supply deficiencies on the economy  
4 of Southern California.

5 Thank you.

6 MR. CORY: Any questions?

7 No questions.

8 MR. NORTHROP: Mr. J. B. Hundley, operations  
9 manager from ARCO will sum up the ARCO argument.

10 MR. HUNDLEY: I'm Jack Hundley with the  
11 Atlantic Richfield Company. And as a summation of what  
12 we've heard today, I'd like to begin by -- begin by stating  
13 that the reason we are here today is to receive your  
14 confirmation of the December '74 decision to allow resump-  
15 tion of our drilling operation on Platform Holly. We have  
16 heard many fine testimonies indicating that it will be  
17 from existing facilities.

18 Platform Holly was brought out in 1966,  
19 it's still there. We intend to use her completely. The  
20 pipelines to shore will remain the same. The facilities  
21 on shore will remain the same.

22 We've heard how the increased production  
23 will increase royalty revenue to the State. It will  
24 increase employment and business volumes in the Santa  
25 Barbara County and California area. Also it will afford  
26 an increase in our energy demands, the production of oil  
27 and gas that we dearly need in our state now.

28 I'd like to point out that it is from

1 proven zone. We know the oil is there. We know the wells  
2 to be drilled will be productive and produce the needed  
3 oil and gas.

4 I'd like to reaffirm our position that  
5 the EIR was tendered to the State, received by the State,  
6 and approved. We have nine permits returned to us, approved,  
7 indicating procedural compliance.

8 Speaking of compliance to the procedures,  
9 I'd like to compliment the State Lands Division staff  
10 engineers in their adopting these operating procedures,  
11 as they call them. And it's been brought to my attention  
12 that the federal government has essentially duplicated  
13 your state lands operating procedures to incorporate in their  
14 Federal OCS Order No. 2. This is indeed a compliment to  
15 the State and division people.

16 To sum it all up, we're ready to go.  
17 And the State operating procedures are fully effective,  
18 and we intend to comply with them. We are ready in every  
19 respect. So all we need to have from you is just to tell  
20 us to proceed.

21 Thank you.

22 MR. NORTHROP: Mr. Chairman, Mr. Shavelson of  
23 the Attorney General's office would like to address himself.

24 MR. SHAVELSON: I'll be very brief and  
25 obviously none of these remarks reflect any opinion as to  
26 policies since that's not our function, but simply to try  
27 to advise you what we think the law is.

28 And our conclusions are as follows:



1                   Number one. We consider the environ-  
2                   mental impact report previously prepared under the super-  
3                   vision of the State Lands Commission, State Lands Division  
4                   is legally adequate.

5                   We think that the State Lands Commission  
6                   acted properly and responsibly and in a spirit of the  
7                   California Environmental Quality Act when it made the  
8                   decision in January to re-examine that environmental  
9                   impact report and familiarize itself with both the beneficial  
10                  and detrimental consequences of this project before allowing  
11                  it to go on. And we do not think that was an arbitrary  
12                  act, but a completely proper and desirable act.

13                  Thirdly, the State Lands Commission does  
14                  not have the same discretionary authority it would have  
15                  over issuing a new lease or even if it were to employ a  
16                  new platform, or other drilling structures under the  
17                  existing lease. And therefore, we have been forced to  
18                  advise you that -- that not going ahead under these circum-  
19                  stances would entail legal risks that would have to be  
20                  weighed against any undesirable consequences.

21                  And finally, that the State Lands  
22                  Commission, as Mr. Northrop informed you, we stated that  
23                  you do not have the unit authority to inform -- impose  
24                  unilaterally conditions relating to the liability, and to  
25                  third persons, and things of that character under an  
26                  existing lease.

27                  And therefore, whatever we -- whatever  
28                  provisions have been put in for the protection of the public.

1 may not be anything the executive officer would have  
2 liked. But they're all that could have been gotten.

3 And the proposed resolution adopted  
4 today, to back legislation that hopefully will fill in  
5 some of these gaps such as Assembly Bills 695 and 366,  
6 we think is the proper way for the Commission to proceed  
7 rather than attempt to impose the conditions on a specific  
8 lessee.

9 So those are the -- that's the summary  
10 of our position, and if anyone has any objection I'd be  
11 glad to address myself.

12 MR. BELL: Why don't you ask --

13 MR. CORY: I have a couple of questions, J.B.

14 The questions raised by the City  
15 Attorney from Santa Barbara with respect to the staff's  
16 analysis has to be considered an amendment to the EIR,  
17 and is not in at the proper time reference in terms of  
18 violation of guidelines. Is there any merit to that?

19 MR. SHAVELSON: I think it was just as you  
20 stated, Mr. Chairman, and that is, a staff analysis of  
21 the environmental impact report. It was not a change or  
22 a further study in and of itself. And -- but a -- but a  
23 termination as to -- as to what was in that report and  
24 what -- and a digesting of that information.

25 And therefore, we think that it's  
26 that EIR is still adequate and that is what we are basing  
27 their action on.

28 MR. CORY: You -- that's their exis -- we've

1 had a staff analysis and there is no way that any of that  
2 purported legal structure that he put forth would give us  
3 any flexibility on our action, in your opinion?

4 MR. SHAVELSON: I don't believe so, Mr.  
5 Chairman, at this time.

6 MR. CORY: The most judicious way then for  
7 us to proceed would, if we wish to go ahead and if they  
8 feel the law to be contrary and different, they would have  
9 the option to bring action to suit the Lands Commission  
10 and have the court resolve the question of whether or  
11 not we are acting properly?

12 MR. SHAVELSON: That is correct.

13 MR. CORY: Okay.

14 In the proposed resolution, Mr. Northrop,  
15 you made reference to -- Northrop made reference to, not  
16 a blanket approval, but an executive officer was giving a  
17 well-by-well --

18 MR. SHAVELSON: Yes.

19 MR. CORY: -- authority, is that the way this  
20 is drafted?

21 MR. SHAVELSON: The way it's drafted, as you  
22 recall in January there was a suspension of two things.  
23 The approval by the Lands Commission on December 19  
24 of the resumption of drilling on Platform Holly, and the  
25 approval by the State Lands Division of eight specific  
26 wells and one redrill on Platform Holly.

27 Today what the -- if you do adopt  
28 the resolution that the executive officer has presented to

1 you, what you would be doing would be lifting the suspension  
2 on the Lands Commission's approval of the resumption of  
3 drilling, but revoking the action of the State Lands  
4 Division in approving those wells, and then re delegating  
5 to the executive authority to -- to approve wells as he  
6 feels is necessary within his -- his technical discretion --  
7 the policies made by the State Lands Commission and the  
8 technical discretion exercised by the executive officer.

9 MR. CORY: So if there was some sign of some  
10 adverse thinking that we did not consider, the executive  
11 officer would have the discretionary authority to stop  
12 any further drilling?

13 MR. SHAVELSON: Certainly. If it came within  
14 the area of the unforeseen geological conditions, pressures,  
15 et cetera. Dangers of spill, we definitely would. And  
16 also we would have the opportunity in case he felt the  
17 changes in policies would be desirable to make recommenda-  
18 tions to the Commissioner in that regard.

19 MR. CORY: Further with the calendar items  
20 as proposed resolution is currently drafted.

21 There is -- I understand it and am in  
22 agreement with -- or an understanding as to the safety  
23 control program, training personnel, and the like, and  
24 certain promises; are those in writing from the operating  
25 company as to these people being trained? There was a  
26 mention made of daily, and until they are trained, and  
27 then at least weekly.

28 MR. SHAVELSON: Procedures that has been

1 proposed is that the executive officer, when they applied  
2 for a permit, the executive officer will require that they  
3 agree to those conditions as a condition to their obtaining  
4 the permit in the State Lands Commission -- from the  
5 executive officer, that is your direction to the State  
6 Lands Commission not to give a permit unless they do agree  
7 to those conditions.

8 MR. CORY: If they do agree to those conditions  
9 and they violate them, what is the remedy?

10 MR. SHAVELSON: The -- certainly the --

11 MR. CORY: Does it vitiate the permits?

12 MR. SHAVELSON: Pardon me?

13 MR. CORY: Does it vitiate the permits?

14 MR. SHAVELSON: Yes.

15 I -- it -- it's grounds for cancellation  
16 of the permit.

17 MR. CORY: That can be unilateral action by  
18 the executive officer?

19 MR. SHAVELSON: Yes.

20 I think certainly -- I would -- we  
21 would certainly bring it back to the Commissioner for --  
22 for confirmation so that he could act, in my opinion,  
23 immediately, if in his opinion he felt that those conditions  
24 were being violated. He could revoke the permit then and  
25 there.

26 MR. CORY: Okay.

27 The other question that seems to be  
28 somewhat ambiguous in the document that I have, is the

1 question of the Stretford plant, which as I understand is  
2 a mechanism to onshore facilities to treat the natural  
3 gas produced from the wells.

4 If that is not approved, the alternative  
5 posture that is currently before us would be that ARCO  
6 could go ahead and proceed with a fewer number of wells and  
7 reinject that gas.

8 My question is, as I recall reading  
9 the environmental report, I do not think they really  
10 addressed themselves to the reinjection process and what  
11 that does to the natural seepage.

12 If we are not redeeming the pressure  
13 in those zones, but in fact we're going to maintain it by  
14 reinjecting, that does not appear to be dealt with in the  
15 environmental impact report.

16 And I am wondering, can we sever that  
17 so that if it comes to that, if someone else refuses to  
18 approve the onshore facility, that maybe we ought to come  
19 back and have a hearing on what we're going to do with the  
20 gas that's being produced, and we don't have a budget for  
21 it.

22 MR. SHAVELSON: The resolution -- reserves  
23 in the State Lands Commission the power to make any policy  
24 changes. And should your studies indicate that it is  
25 going to pose a danger, you have the power to modify today's  
26 action.

27 MR. CORY: But the question in my mind, are  
28 we not in a better position if we get a legal -- if we grant

1 the approval for the full 17, with the assumption of the  
2 Stretford, but the Stretford is not approved for any reason,  
3 then we ought to come back and have a full discussion of  
4 what happens to that gas?

5 MR. SHAVELSON: I think that could be your --  
6 the extent of your delegation of authority to the executive  
7 officer.

8 MR. CORY: One of the potential benefits is  
9 not only the economic, but the removal of the pressure in  
10 the zone. And I'm concerned with whether or not we're  
11 going to get that pressure back in the same place or put  
12 more pressure in a different location.

13 And so far I have not seen anything on  
14 the subject.

15 And I am personally hesitant to allow that  
16 to be handled in administrative action if there is a mistake.  
17 If that's what I'm --

18 MR. SHAVELSON: The environmental impact report,  
19 as you know, Mr. Chairman, did contemplate this as a  
20 possible contingency in their discussion, if that's my  
21 recollection. So that we think the resolution as proposed  
22 is covered by the environmental impact report. But  
23 certainly, that doesn't preclude you from determining that  
24 they want to take another look if the plant is not in fact  
25 going to be built.

26 As I stated before, any -- if any  
27 further studies indicate further difficulties, you have  
28 clearly got the authority. And today, you're making it

1 clear that if the plant is not built, you are likely to  
2 take it back.

3 MR. CORY: I would like to make it explicit.  
4 If the Stretford is not approved that the item come back  
5 here so that somebody -- the technicians can explain to  
6 us in detail what happens when you start repressuring in  
7 that field.

8 That is the specific question, I haven't  
9 had anybody really educate me on. And I'm unprepared to  
10 have the staff assume that risk in case it goes wrong.

11 If that's within our legal perimeters,  
12 I would like to put that limitation on it.

13 MR. BELL: I would like to see that.

14 MR. SHAVELSON: I think that that's proper,  
15 Mr. Chairman.

16 MR. CORY: The other question that was --

17 MR. NORTHRUP: Mr. Chairman, the draft resolu-  
18 tion that's been before you, it's been recommended there  
19 be some minor changes, particularly as it applies to  
20 Item 3.

21 MR. CORY: Yes.

22 The third paragraph refers instead of  
23 new oil fields, practices, good environmental practices  
24 in order to achieve maximum economical environmental  
25 controls.

26 MR. DYMALLY: So moved. So moved for the  
27 amendment of the resolution.

28 MR. CORY: Without objection we will amend



1 the resolution in that fashion.

2 MR. SHAVELSON: If I may, Mr. Chairman,  
3 interject that, as I stated once before -- the discretion in  
4 the executive officer is a technical discretion and --

5 And you're now laying down the criteria  
6 under which he can exercise it.

7 MR. CORY: We have thus amended the resolution  
8 before us, and if it needs to be further amended to make  
9 sure that the Stretford is approved, that it has to come  
10 back, and that needs to be made explicit to the staff?

11 MR. SHAVELSON: That does need to be made  
12 explicit.

13 MR. CORY: That amendment --

14 MR. BELL: That would be ample --

15 MR. SHAVELSON: Yes.

16 MR. BELL: That in effect at least to be  
17 brought back to the Commission for discussion, that type  
18 of thing?

19 MR. SHAVELSON: (No audible response.)

20 MR. DYMALLY: I have a motion.

21 I move that the staff be instructed to  
22 negotiate with the oil companies in the Santa Barbara  
23 channel, the setting up of an emergency fund for possible  
24 oil spill in the Santa Barbara channel.

25 MR. CORY: Motion to have the staff negotiate,  
26 similar to what the City Attorney --

27 MR. DYMALLY: Yes.

28 MR. BELL: And that would be over and above --

1 above the insurance?

2 MR. DYMALLY: Yes.

3 MR. BELL: Well, I would second that motion.

4 MR. CORY: The motion is that the staff be  
5 directed to commence negotiating to try to get the oil  
6 companies to accomplish that.

7 MR. SHAVELSON: That is not, I take it, a  
8 condition preceding --

9 MR. DYMALLY: No, not at all. Completely  
10 separate.

11 MR. CORY: Motion is seconded?

12 MR. BELL: Yes.

13 MR. CORY: Motion is seconded.

14 Any questions?

15 All in favor say aye.

16 MR. BELL: Aye.

17 MR. DYMALLY: Aye.

18 MR. CORY: Motion is carried.

19 MR. DYMALLY: And a final point, amended to  
20 this in the form of a motion, and I hope the staff could  
21 explore with the oil companies the development of  
22 environment in the channel that's similar to the one we  
23 now have in Long Beach.

24 Additionally, after my visit there  
25 yesterday, those rigs are much too ugly to be called by  
26 female names. And we should also negotiate the possibility  
27 of calling them John Smith or John Brown, Harry whatever  
28 you call it.

1 MR. BELL: Mr. Chairman, we are at the point  
2 now, the final consideration of the item as amended.

3 MR. CORY: Yes.

4 MR. BELL: I would move that we adopt the  
5 staff recommendation as amended.

6 MR. CORY: As amended.

7 MR. DYMALLY: Second.

8 MR. CORY: Mr. Bell moves, Mr. Dymally seconds.

9 Any discussion of the motion?

10 All those in favor of the motion say  
11 aye.

12 MR. DYMALLY: Aye.

13 MR. BELL: Aye.

14 MR. CORY: Opposed?

15 (No audible response.)

16 MR. CORY: Motion is carried.

17 MR. NORTHRUP: Next meeting, item on our  
18 agenda is --

19 MR. CORY: The next item on our agenda is --

20 MR. NORTHRUP: Is the confirmation of the  
21 meeting --

22 MR. CORY: Is the confirmation of the meeting  
23 of Hayward --

24 MR. NORTHRUP: Tuesday, May 27th.

25 MR. CORY: Tuesday, May 27th.

26 MR. SHAVELSON: The adjournment today would  
27 be subject to the call of certain executive sessions that  
28 may be necessary to discuss the pending litigation.

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MR. CORY: The adjournment today is subject to executive sessions to discuss pending litigation.

MR. NORTHRUP: That is correct.

MR. CORY: We stand adjourned, and I call the meeting.

(Meeting was adjourned at 12:45 P.M.)

REPORTER'S CERTIFICATE

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STATE OF CALIFORNIA     )  
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COUNTY OF LOS ANGELES )       ss.

I, the undersigned, Official Reporter for the within hearing, do hereby certify that the foregoing pages constitute a full, true, and correct transcript of the proceedings held in the County of Los Angeles at the time and place heretofore mentioned.

Dated this 9th day of June, 1975.

Sherry L. Perkins  
Sherry L. Perkins