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MEETING  
STATE LANDS COMMISSION

ORIGINAL

ROOM 2170  
STATE CAPITOL  
SACRAMENTO, CALIFORNIA

THURSDAY, MAY 26, 1977

2:00 P.M.

PETERS SHORTHAND REPORTING CORPORATION

24 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383-3601

I N D E X

	<u>Page</u>
1	
2	
3	1
4	1
5	1
6	4
7	10
8	11
9	12
10	22
11	24
12	29
13	30
14	30
15	31
16	31
17	32
18	33
19	34
20	35
21	35
22	35
23	36
24	36
25	

**PETERS SHORTHAND REPORTING CORPORATION**

26 NESS COURT  
 SACRAMENTO, CALIFORNIA 95826  
 TELEPHONE (916) 383-3601

		<u>Page</u>
1	INDEX (continued)	
2	Calendar Item 29	37
3	Calendar Item 30	37
4	Calendar Item 31	38
5	Calendar Item 32	38
6	Calendar Item 33	38
7	Norbert Dall	39
8	Don Everitts	39
9	Calendar Item 34	40
10	Calendar Item 36	41
11	Mr. Thompson	41
12	Calendar Item 37	42
13	Mr. Thompson	42
14	Calendar Item 38	43
15	Calendar Item 39	43
16	Mr. Thompson	44
17	Mr. Golden	44
18	Calendar Item 40	44
19	Mr. Trout	45
20	Mr. Taylor	45
21	Calendar Item 41	45
22	Mr. Trout	45
23	Calendar Item 42	46
24	Mr. Trout	46
25	Mr. Taylor	48

**PETERS SHORTHAND REPORTING CORPORATION**

26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383 3601

		<u>Page</u>
1	INDEX (continued)	
2	Status of major litigation	49
3	Mr. Taylor	49
4	Adjournment	51
5	Reporter's Certificate	52
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

**PETERS SHORTHAND REPORTING CORPORATION**

26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383-3601

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MEMBERS PRESENT

Hon. Kenneth Cory, Controller, Chairman  
Lieutenant Governor Mervyn M. Dymally  
Mr. Sid McCausland, representing Roy M. Bell  
Ms. Betty Jo Smith

MEMBERS ABSENT

Hon. Roy M. Bell, Director of Finance

STAFF PRESENT

Mr. William F. Northrop, Executive Officer  
Mr. Robert S. Golden, Assistant Executive Officer  
Mr. James F. Trout, Land Operations  
Mr. Robert Hight, Staff Counsel  
Mr. William Thompson, Manager, Long Beach Operations  
Mr. Don Everitts, Long Beach  
Ms. Diane Jones, Secretary

ALSO PRESENT

Mr. N. Gregory Taylor, Deputy Attorney General  
Mr. Jan Stevens, Attorney General's Office

P R O C E E D I N G S

--oOo--

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3 CHAIRMAN CORY: Call the meeting to order. The  
4 Lieutenant Governor is here, and Mr. McCausland is on his  
5 way shortly. The Governor, I believe, has an airplane to  
6 catch so we will be proceeding rather quickly so that we  
7 can get everything done.

8 LIEUTENANT GOVERNOR DYMALLY: So long as Assemblyman  
9 Thomas get whatever he wants.

10 (Laughter.)

11 CHAIRMAN CORY: The first item on the agenda is  
12 confirmation of the minutes of April 28th.

13 LIEUTENANT GOVERNOR DYMALLY: So move.

14 CHAIRMAN CORY: Without objection, it will be  
15 approved as presented.

16 And I am correct that Sid is aware and is coming  
17 up shortly.

18 EXECUTIVE OFFICER NORTHROP: That's correct,  
19 Mr. Chairman.

20 CHAIRMAN CORY: Okay. Mr. Executive Officer, if  
21 you could start with your report, and we will give a written  
22 copy of it to Sid in case he's the only one of the three  
23 of us who knows how to read.

24 (Laughter.)

25 EXECUTIVE OFFICER NORTHROP: Thank you very kindly.

1           Mr. Chairman, Lieutenant Governor Dymally, as  
2 guests of Congressman Mark Hannaford and Bill Ketchum, on  
3 May 19th I advised members and staff of the California  
4 Congressional delegation of the serious impacts on California  
5 crude oil if the proposed and present entitlements program  
6 for Alaskan and foreign crude were to continue.

7           FEA is conducting a briefing on the President's  
8 National Energy package on June 14 in Sacramento. We plan  
9 on attending. If any of the Commission members or surrogates  
10 would like to attend, we certainly would be able to accommo-  
11 date them.

12           Approximately three and a half years ago, the  
13 Commission approved an Environmental Study Agreement for  
14 800 acres on Bair Island which is located in Redwood City  
15 in San Mateo County.

16           A Task Force was formed and various scientific  
17 observations have been made, wildlife inventories planning  
18 taken and local planning needs have been studied. A draft  
19 report has been prepared by the Division.

20           The Study Agreement provides that a minimum of  
21 60 acres will be donated to the State by a private party,  
22 Mobil Oil Estates. With the Commission's approval, the  
23 staff will meet and negotiate the specifics with Mobil,  
24 and the resulting donation and final report will be  
25 presented to the Commission at the June meeting next month.

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1           On November 15, 1976, the Commission authorized  
2 a public hearing to collect evidence on the record to serve  
3 as the basis for determination of royalty gas pricing.

4           Staff has begun collecting the data necessary to  
5 develop the data and the procedures for conducting the public  
6 hearing. In addition, we have retained Mr. Henry F. Lippitt,  
7 an attorney in private practice specializing in natural  
8 gas regulatory matters, to advise us on the collection of  
9 data. The staff has tentatively scheduled a date late in  
10 June or early in July for the public hearing to be held here  
11 in Sacramento. We hope we can have it prepared for the  
12 July or at the latest the August agenda.

13           Mr. Chairman, Governor, we have had a continuing  
14 dialogue with the Attorney General and the City of Los  
15 Angeles on reviewing the proposed settlement between the  
16 Los Angeles City and Harbor Department. We feel that these  
17 negotiations are moving along probably not as expeditiously  
18 as we had hoped, but very well, and they should be resolved  
19 prior to the next meeting. At that time we will be able  
20 to present formally to you an agreement which covers many  
21 of the objections that have been raised by our staff and  
22 others in the Legislature on this matter.

23           In the meantime, several items which are questionable  
24 and which we have discovered, and we are not really sure  
25 where they fit as to germaneness, have arisen. On these

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1 matters we are planning to seek the advice, or at least  
2 discussion with the Attorney General on these matters.

3 It's my understanding that Assemblyman Thomas  
4 may wish to speak on this issue today. He has not indicated.

5 ASSEMBLYMAN THOMAS: I don't want to delay this  
6 subject matter because this is the 26th year we've been  
7 working on it; but I think that if you would send this  
8 document dated January 14, 1977 to the Attorney General and  
9 in your letter specify just what the Grant says that the  
10 Attorney General should do.

11 In the Grant, to my knowledge, it specifically  
12 says that the Attorney General in any violations of the  
13 Trust must take immediate action. I think those are the  
14 words.

15 I left the Grant, but you have a copy. I think  
16 that's very clear in the Grant on the tidelands from the  
17 State to the City of Los Angeles.

18 Also, the Grant specifically sets out the duties  
19 and obligations of the Lands Commission. And I hope that  
20 in the letter that you would restate whatever is in the  
21 Grant that the Attorney General should do.

22 It says that, "any violation", and you incorporating  
23 this document dated January 14th where the Harbor Department  
24 in its findings and the report that was presented to the  
25 Commission in substance, if you read it, states that the

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1 City owes the General Trust Fund, the Trust Fund, \$15,892,439.

2 We have been kicking around all kinds of amounts.  
3 The joint audit committee's auditor came up with \$36 million,  
4 some \$30 million -- we are all in disagreement. But I  
5 would also -- just to restate what I've said to the Lands  
6 Commission -- this is a question of trust. Of course, it  
7 all depends on the case law rather than statutory law, and  
8 I would say that I think it's the Lands Commission's duty  
9 and obligation to notify the City of Los Angeles that they  
10 should have two sets of books and two accounts -- one for  
11 the Trust Fund and one for the management of lands by the  
12 Harbor Department and the Commission and so that they two  
13 could be separated.

14 Up until now, there was just one fund, so whatever  
15 monies goes into that fund the case law really specifically  
16 says it becomes Trust monies or properties or whatever it  
17 is.

18 I'm not going to tell the Harbor Department how  
19 to run their business, but I think the Lands Commission has  
20 authority to see that two sets of books are set up, two  
21 funds, two accounts -- one the Trust Fund to take care of  
22 the income from the Harbor District which is identified  
23 as Trust Properties, and the other lands that are conveyed  
24 to Harbor Department for management, the rental income  
25 and all of that should be separately separated; and that's

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26 NESS COURT  
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1 why we have this difference of \$36 million, \$30 million. And  
2 I think that the amount here -- if the City would adopt  
3 this agreement, this report from the Harbor Department as  
4 specific, I think that that would settle the case once and  
5 for all.

6 And if the Lands Commission can settle it, you  
7 can rest assured that I'll put a resolution in the Legislature  
8 commending you.

9 LIEUTENANT GOVERNOR DYMALLY: On the condition I  
10 get a copy.

11 (Laughter.)

12 CHAIRMAN CORY: You are going to defer these items?

13 EXECUTIVE OFFICER NORTHROP: Yes, we will,  
14 Mr. Chairman.

15 CHAIRMAN CORY: You will be sure and present it --

16 EXECUTIVE OFFICER NORTHROP: Yes, we will probably  
17 do it.

18 CHAIRMAN CORY: The other thing I think you  
19 should be looking at is to make sure we start making the  
20 annual reports that are expected of us to the Legislature  
21 on this subject. I think I have reason to believe -- if  
22 there's another report, I think there's a reason why we  
23 should get our something in.

24 EXECUTIVE OFFICER NORTHROP: I agree.

25 CHAIRMAN CORY: And we should deal with those

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
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issues at that time.

That letter, Vince, that letter should be going out very shortly.

ASSEMBLYMAN THOMAS: Thank you very much.

CHAIRMAN CORY: We will make sure that it does.

LIEUTENANT GOVERNOR DYMALLY: Mr. Chairman, am I to understand from the Director that we will have some definite status report on this matter in the next meeting?

CHAIRMAN CORY: There should be a resolution.

EXECUTIVE OFFICER NORTHROP: It should be resolved by then. We should have the final resolution. We are -- it's semantics.

LIEUTENANT GOVERNOR DYMALLY: In other words, it will hopefully be resolved.

EXECUTIVE OFFICER NORTHROP: Hopefully. We have got it very close to resolution. Included in our resolution are many of the points raised, but not all, but many of the points raised by Mr. Thomas are covered in the resolution. Many of them are not.

ASSEMBLYMAN THOMAS: Can you tell me when this will be forwarded to the Attorney General?

EXECUTIVE OFFICER NORTHROP: I would try to have it early next week or late next week, Mr. Thomas. We have several drafts we are working on at the present time.

CHAIRMAN CORY: Thank you, Vince.

1           The next item is natural gas transportation.

2           EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Governor  
3 it has become evident to the staff that the natural gas  
4 transportation proposals, as they will affect California,  
5 will require a position from the Commission.

6           This indication would be helpful not only in  
7 dealing as technical staff to other State agencies, as we  
8 are from time to time, but --

9           CHAIRMAN CORY: I'm a little hesitant to do this  
10 without Sid.

11           LIEUTENANT GOVERNOR DYMALLY: You don't have to.  
12 I have something that will resolve that.

13           EXECUTIVE OFFICER NORTHROP: An indication would  
14 be helpful if the staff were to get some direction from  
15 the Commission as to your wishes on this matter.

16           LIEUTENANT GOVERNOR DYMALLY: May I interrupt here  
17 I think I can resolve this problem. I have a motion on the  
18 subject.

19           I move that the following items be placed on the  
20 agenda for the next meeting: One, SB 1081; two, my letter  
21 to the Chairman of the PUC; and, three, the item relating  
22 to natural gas transportation on the Director's report, page  
23 3, for the next meeting.

24           CHAIRMAN CORY: I would second that. I think  
25 we should have a full discussion of where we're headed on

1 that.

2 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the  
3 next item is the Queen Mary. The City of Long Beach  
4 informally advises the staff that they are considering  
5 transferring the Queen Mary and its operation to the Long  
6 Beach Harbor Department. In light of this, I request  
7 permission to send the City Manager a copy of the letter  
8 which is presently before you.

9 CHAIRMAN CORY: I've got no problems with it.

10 LIEUTENANT GOVERNOR DYMALLY: No problems. I  
11 have read it.

12 CHAIRMAN CORY: Without objection, this will be  
13 the order.

14 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the  
15 final item is a little detailed, and it gets into the  
16 entitlements of California lower tier oil.

17 Currently, California producers of lower tier  
18 oil are being paid 60 cents a barrel less than the ceiling  
19 price allowed by the Federal Energy Administration. This  
20 is because refiners maintain that the over \$6 a barrel penalty  
21 they must pay to refine a barrel of lower tier crude oil,  
22 coupled with the over \$2 a barrel bonus they receive for  
23 running a barrel of foreign crude, prevents further price  
24 increases.

25 The Federal Energy Administration recognizes

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1 the problem, and in March of this year held hearings on  
2 a proposal to reduce the entitlement obligation for  
3 California and Alaskan crudes by 54 cents a barrel.

4 The FEA is currently holding hearings on their  
5 proposal for pricing Alaskan North Slope oil. As part of  
6 these hearings, they are asking affected Californians to  
7 comment again on their lower tier price obligation reduction  
8 in light of the Alaskan oil pricing proposals.

9 I would like concurrent from the Commission in  
10 my sending written comments to FEA urging the adoption of  
11 this proposal to reduce the entitlement burden on California  
12 lower tier oil.

13 LIEUTENANT GOVERNOR DYMALLY: So move.

14 CHAIRMAN CORY: Without objection, such will be  
15 the order.

16 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, in  
17 addition to the above, there are two additional things I  
18 would like to request if I may. First, that Item Number 35  
19 on the agenda be taken out of order at this time; and,  
20 secondly, in light of that, I have a presentation I would  
21 like the Commission to entertain given by Independent  
22 Oil Producer's Associates in Kern County, Mr. Robert Johnson,  
23 Mr. William Bradley and Mr. James Gilstrap, in search of  
24 a solution for the --

25 CHAIRMAN CORY: Let me bring Mr. McCausland up

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1 to date. Bill Northrup has been reading his monologue to  
2 us. Other than that, we have had comments from Mr. Thomas,  
3 and in terms of substantive items, we have asked the  
4 Executive Officer to write comments to FEA with respect  
5 to the entitlement programs pricing.

6 We have approved a letter from the City of Long  
7 Beach, and we have put on the agenda for next month --

8 EXECUTIVE OFFICER NORTHROP: SB 1081 and a letter  
9 to the PUC.

10 CHAIRMAN CORY: We are now going to Item 35 --

11 EXECUTIVE OFFICER NORTHROP: On the agenda.

12 CHAIRMAN CORY: On the agenda.

13 EXECUTIVE OFFICER NORTHROP: And Mr. Thomson,  
14 I believe, has a very short presentation on that, but it's  
15 to give some concept as to what is happening to crude oil  
16 prices and the way it's going to eventually affect not only  
17 the income to the State and the production levels.

18 MR. THOMSON: Just by qualification, it has to  
19 do with economic projections in the planning budget. I  
20 think we can summarize this in the interest of time.

21 We have attachments giving to you on page Roman  
22 numeral I-A and Roman numeral I which is outlined in red  
23 the numbers of crude oil prices. Page I-A is the crude  
24 oil prices we projected in February. You notice at that  
25 time we increased what we thought our crude oil price would

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1 be to \$5.91 a barrel for the last three quarters of this  
2 year.

3           You can see that on page I what has happened here,  
4 we have lost approximately 50 cents a barrel. This is the  
5 result of losing a summary judgment on whether the differen-  
6 tial could be used for Long Beach tidelands accounts.

7           EXECUTIVE OFFICER NORTHROP: It becomes evident,  
8 Mr. Chairman, looking at these dismal figures that we should  
9 at least open negotiations or look into other methods to  
10 raise the price of our crude oil; but negotiations with  
11 the Federal government seem to be fruitless, and they generally  
12 are in California, I guess. So for that reason, I have  
13 asked the three gentlemen I mentioned before to come forward  
14 and explain to you a program that they're instituting in  
15 the San Joaquin Valley at considerable expense of private  
16 capital to enhance their crude, which is similarly as  
17 heavy as ours -- heavier than ours, in fact.

18           At this time I would like Mr. Johnson, Mr. Gilstrap  
19 and Mr. Bradley to come forward.

20           MR. JOHNSON: Mr. Chairman, thank you very much  
21 for the opportunity to address this Commission. My name  
22 is Robert Johnson. I am Vice-President of the Independent  
23 Oil Producers' Agency. On my left is Mr. Raymond Bradley,  
24 President of the Independent Oil Producers' Agency; and  
25 on his left, Mr. James S. Gilstrap, the Executive Vice-President

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1 of the same agency.

2 We are a group of, individually, oil producers  
3 from the southern San Joaquin Valley area of California,  
4 principally producing heavy oil. We're tremendously concerned,  
5 and that's the reason we appreciate the opportunity to  
6 address this body.

7 The California oil industry, particular the  
8 independent non-integrated segment faces a difficult period.  
9 As incredible as it seems in a nation which imports almost  
10 50 percent of its crude oil, we are rapidly approaching a  
11 time when some producing wells in California may have to  
12 be shut in for lack of market.

13 This localized surplus of low-gravity oil has  
14 been gradually growing as the market for high sulfur fuel  
15 oil has vanished in the wake of more stringent air quality  
16 standards. This vanishing fuel oil market is compounded  
17 by the reduced demand for asphalt, another main product of  
18 heavy oil, because of the road building curtailment and  
19 slowdown in general construction activity.

20 At the same time the market is eroding, the  
21 supply of heavy oil is increasing. New thermal recovery  
22 methods have been developed which are increasing both the  
23 rate and the amount of oil which can be recovered from low-  
24 gravity reservoirs. Elk Hills has been reactivated, Santa  
25 Barbara Channel is being developed and now apparently San

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1 Pedro Channel also shows promise of additional significant  
2 heavy oil reserves. All of these resources, however, are  
3 dwarfed by the volumes of heavy Alaskan oil which are  
4 expected in the fall of 1977.

5 Refining capacity to handle the residual content  
6 of this large amount of low-gravity crude does not exist.  
7 As if the natural conditions weren't bad enough, the Federal  
8 government continues its intervention in the marketplace.  
9 It has already mandated preferential treatment for its  
10 government-owned Elk Hills oil and proposes to do the same  
11 for Alaskan North Slope crude through the entitlement  
12 program, the same program which has made it more profitable  
13 to purchase foreign sweet crude at \$13 per barrel than to  
14 purchase a low-gravity domestic barrel at \$3.95.

15 As a consequence, refiners can satisfy their  
16 product requirements by buying imported crudes and thus  
17 postpone refinery investment to process low-gravity California  
18 crude oil.

19 The estimates of the magnitude of the subsidy  
20 flowing from California to the refiners and consumers in  
21 the East via the entitlements program vary between 500 million  
22 and 1 billion per year. There are, however, other equally  
23 serious undesirable consequences.

24 We are exporting refinery capacity in jobs. We  
25 are increasing our dependence upon imports of a premium

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1 crude which can be expected to rapidly increase in price  
2 as other people likewise motivated bid for this commodity.  
3 We are increasing the cost to the consumer by becoming  
4 reliant upon this increasingly expensive crude. We are  
5 adding to the nation's balance of payment problem. We are  
6 precluding the development of billions of barrels of low-  
7 gravity California oil. This heavy oil development has a  
8 long lead time; it cannot be started and stopped at will.  
9 The capital necessary to develop this resource will not  
10 be committed unless a reasonable assurance of marketability  
11 is present.

12           The only realistic solution is a program of  
13 refinery construction to process and desulfurize low-gravity  
14 oil and its residual. It's probably already too late to  
15 avoid some disruptions. The lead time for construction alone  
16 can reach four years. If we impact this with lengthy delays  
17 in the permit phase, one can only speculate on when these  
18 projects will be on stream to afford a measure of relief  
19 to both producer and consumer.

20           The independent or non-integrated segments of  
21 our business will be hit first and hardest. Without a  
22 refinery to run his own crude, he is in a very vulnerable  
23 position.

24           The Independent Oil Producers' Agency has been  
25 marketing the crude oil of its independent producer members

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1 for 73 years. In this period the group has experienced  
2 every natural, political and economic calamity imagineable  
3 and still has managed to survive.

4 One of its earliest projects for survival was  
5 the construction in 1909 of a pipeline from the San Joaquin  
6 Valley to the Coast. This pipeline enabled the producers  
7 to obtain the export or world market price for their oil  
8 rather than the limited price offered by Valley purchasers.  
9 A similar pioneering spirit enabled these independents to  
10 develop their low-gravity oil properties to the present  
11 significant reserves position they currently represent.

12 This brief excursion into history has simply been  
13 for the purpose of introducing the latest project which  
14 these independents feel is essential to their survival --  
15 the building of a refinery.

16 At the outset, it should be made clear that this  
17 action is only contemplated as a last resort. There seems  
18 to be no reasonable alternative in view of the strong  
19 likelihood that this crude contract will be cancelled. The  
20 low-gravity crude surplus and shortage of residual processing  
21 capacity is too well-known to require much elaboration.

22 To provide a more complete record, however, we  
23 have attached an analysis prepared by the Union Oil Company  
24 of California which we feel accurately reflects and  
25 quantifies it.

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1           Our potential refinery project is in phase two  
2 which represents a refinement of the preliminary evaluation  
3 phase which looked favorable. This refinement will address  
4 the more detailed economics, regulatory requirements and  
5 permitting considerations which control the viability of  
6 the project. If this second phase evaluation is promising,  
7 some IOFA members will then proceed with the final phase  
8 of detailed considerations of plant design, throughput,  
9 marketing and the all-important permitting problems.

10           We are attempting a self-help solution to what  
11 we see as a real problem for every oil producer in the  
12 State of California. To solve the problem will require  
13 the best efforts of all parties involved. It appears to  
14 be a tall order for a group of small independents, but it  
15 probably seemed just as difficult when our grandfathers  
16 considered building a pipeline to the Coast.

17           The role of government is critical, especially  
18 at the State level. An active spirit of cooperation between  
19 government and the private sector is essential to the timely  
20 solution of the State's low-gravity oil problem. We  
21 earnestly seek your enlightened guidance. The rest is up  
22 to us.

23           CHAIRMAN CORY: Bob, are you talking about a  
24 refinery or just bottom-end capability?

25           MR. JOHNSON: We are in the process of evaluating

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1 just how deep we're going to have to go into the barrel.  
2 The initial concept would be to start out with a coastal  
3 facility at an "X" level. If this didn't make sense  
4 economically, we would have to go more deeply into the barrel  
5 and go into producing, perhaps, a low sulfur fuel oil which  
6 would have a wider marketability which would involve an  
7 "X" 80 percent construction factor. It would be almost twice  
8 as much. Not quite, but almost. But it would take us  
9 into a broader acceptability of our end product.

10 CHAIRMAN CORY: How far have you gone? Is that  
11 an inappropriate question to ask you at this point?

12 MR. JOHNSON: Not at all.

13 CHAIRMAN CORY: I don't want to disclose anything  
14 that would adversely affect you in terms of the marketplace.

15 MR. JOHNSON: Not at all. We have not proceeded  
16 to the extent that would be divulging anything that would be  
17 proprietary. The initial phase of the investigation made  
18 the thing look very sensible; but when you look at the  
19 overall problem California faces from the standpoint of  
20 this low-gravity crude oil, it's absolutely necessary that  
21 things like this be done.

22 The alternative is to rely upon imported foreign  
23 crude and leave our own in the ground. As producers, we  
24 are totally dependent upon the refining capacity that other  
25 people own. So, we have to do it.

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26 NESS COURT  
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1           Now, we're still in the process, in direct answer  
2 to your question, of evaluation of costs and transfer  
3 prices to other people who would take care of further refine-  
4 ment of the distillate products that we would produce.

5           CHAIRMAN CORY: The Union Oil document, July 6,  
6 '76, for what purpose was that prepared?

7           MR. JOHNSON: I didn't hear the question.

8           CHAIRMAN CORY: The Union Oil document that you  
9 submitted with this, which I guess is a statistical analysis  
10 of our overabundance of heavy crude in our limitation on  
11 capacity to move that through any other plant, what motivated  
12 Union to do that?

13           MR. JOHNSON: This was basically prepared as an  
14 in-house analysis for Union Oil Company. It was disseminated  
15 to other people who did business with Union.

16           My own estimation is to try to apprise them of  
17 the problem that they would be confronting. We sell our  
18 crude to Union. As a result, we're on the list of recipients.

19           CHAIRMAN CORY: Do you have any ballpark figures  
20 of what this is going to cost? Quote X close quote plus  
21 80, what's quote X close quote?

22           MR. JOHNSON: Somewhere between 50 and 100 million  
23 dollars. This is the figure we're looking at here starting  
24 out in the range of, let's say, \$50 million if you go  
25 a straight coking route. This is for a 15,000 barrel

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383-3601

1 facility. And then you get into something like \$75 million  
2 if you go totally through the barrel and provide a fuel  
3 oil at the end with a less than one-tenth of one percent  
4 sulfur.

5 CHAIRMAN CORY: That would be meeting the current  
6 fuel oil requirement limitation.

7 MR. JOHNSON: It would be exceeding it for the  
8 area in which we would hopefully sell it. What that would  
9 be at the time of ultimate construction of the refinery,  
10 you're in a better position to guess than we are.

11 CHAIRMAN CORY: 15,000 barrels a day is what  
12 your association produces, roughly?

13 MR. JOHNSON: Yes, sir. We are basing our refinery  
14 economics on a base case of the crude that we control.  
15 Beyond that, you get into the multiplier aspect of your  
16 plant; and if you can make a base case of 15,000 barrels,  
17 then you can achieve economies of scale with other crudes  
18 that you can corral, provided you have an off-take recipient  
19 who will take the distillate products and the coke.

20 We wanted to make a base case on what we knew  
21 we had. Beyond that, it's a question of multiplying by  
22 economies of scale.

23 CHAIRMAN CORY: Mr. Northrop, our production of  
24 this kind of heavy gravity crude is what?

25 EXECUTIVE OFFICER NORTHROP: I would say in the

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
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1 area of a hundred thousand barrels a day -- 80 to 100,000  
2 barrels. It is, of course, tied up with a contract at  
3 the present time; and we are looking at two methods of  
4 freeing oil, but there may be a third one come up in which  
5 the oil companies would much rather have . . . that are now  
6 taking crude, for example -- that would much rather have a  
7 higher gravity crude and would pay more money for it. We,  
8 at least I feel, initially we should undertake some surveys  
9 to find out if there is a market for material if we put it  
10 together and some idea of the order of magnitude of the  
11 dollars involved.

12 CHAIRMAN CORY: Some of the people participating,  
13 or some of the segments in the Long Beach units involved  
14 there, are they not saying --

15 EXECUTIVE OFFICER NORTHROP: Yes. We have had  
16 indications.

17 CHAIRMAN CORY: -- take the oil. We don't want it?

18 EXECUTIVE OFFICER NORTHROP: Right. One of them  
19 has already indicated if we got into it they would gladly  
20 walk away. I don't know whether that's a negotiable figure  
21 or not. We haven't gotten into it.

22 I would request the Commission consider taking a  
23 look at it in some depth, or at least cursory anyway, as  
24 to what would be involved in it.

25 CHAIRMAN CORY: What location -- the service you'd

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
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1 be talking about is Kern County?

2 MR. JOHNSON: The Southern San Joaquin Valley which  
3 would fit in with delivery via the existing pipelines, yes.

4 EXECUTIVE OFFICER NORTHROP: It goes beyond  
5 economics now, getting money out of them. It may well be  
6 we can't sell our own oil. The economics become so bad  
7 that we can't produce it. The other alternative is the  
8 Federal government giving us a hand, which they haven't.

9 MR. McCAUSLAND: My only problem with the presenta-  
10 tion was we got down to the role of government being critical,  
11 and I kept trying to decide if we were entering into a  
12 partnership relationship or what, and all I find here is  
13 an active spirit of cooperation. We'll have more than a  
14 active spirit of cooperation. I'm just wondering what our  
15 role should be. We don't have a partnership stake in this  
16 thing.

17 MR. JOHNSON: Well, government in my has had  
18 a partnership stake for a long time. April 15th is normally  
19 when you normally come around and exercise your partnership  
20 option.

21 (Laughter.)

22 MR. McCAUSLAND: We have to do it with an active  
23 spirit of cooperation.

24 (Laughter.)

25 MR. BRADLEY: Probably what Bob was talking about

1 was retroactive applications of new rules. We've run across  
2 that with the FEA. A rule today that's okay may be all  
3 wrong tomorrow, and in some aspects of the environmental  
4 pollution rules, if maybe we can make a one-tenth sulfur but  
5 if down the road we have to come up with chocolate ice cream,  
6 we're way hung out. I think that's what Bob was referring to.

7 MR JOHNSON: Basically, this is it. The permitting  
8 phase and the length of time necessary to process permits,  
9 the --

10 CHAIRMAN CORY: I was trying to figure out how  
11 to phrase the same thing that Sid did. We may have a  
12 greater interest in your project than just helping because  
13 we seem to be sitting here in a similar situation, that  
14 we're an independent producer whether we like it or not.  
15 We do not have refining capability, and maybe if we had  
16 some of that, and as you proceed if you can keep communicating  
17 with the staff, we may find reasons that are in our mutual  
18 interests to -- although, if you're only going to handle  
19 15,000 barrels, you can't help us much. But I would suggest  
20 from your side of the table that the same spirit that led  
21 your grandparents to understand the system, you might be  
22 able to figure out how we could participate or how we could  
23 help.

24 To the extent of getting some of the people -- if  
25 it's the Air Resources -- to understand the problem and

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383-3601

1 maybe listen to them as to where they are headed, that might  
2 be helpful. And maybe we can make some inquiries as to  
3 where they think we should be going with the sulfur standard.

4           The problem, of course, is government changes.  
5 I made the mistake on a piece of property I bought here in  
6 this county of going down to the Planning Commission and  
7 letting them decide which piece I bought because I didn't  
8 want to get in a zoning hassle. Three months later they  
9 changed the zoning. I said that wasn't fair. They quoted  
10 George Miller to me and said, you know, show me the book  
11 where it says they gotta be fair.

12           MR. GILSTRAP: Mr. Chairman, to put another phase  
13 of this, we're not Dow Chemical. We are enthusiastic about  
14 proceeding. We have to possibly have our hands held a  
15 little bit more along the line.

16           We didn't ask to break any laws, but we do ask  
17 for cooperation. In other words, that last paragraph, and  
18 again, if we knew the proportion to our wells that we were  
19 going to make \$5 million and walk away, we won't start. Just  
20 leave it in the ground.

21           So, we do need cooperation, and the State, to solve  
22 the rest of this problem, can well afford to cooperate with  
23 us because we are willing to lead the way.

24           CHAIRMAN CORY: I think I sense maybe the Commission  
25 is willing to try to help obtain that cooperation; although,

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383-3601

1 I would point out that the last time I had a discussion  
2 with the FEA I'm not so sure they even want to see me again.  
3 I'm not sure I can help you with those problems.

4 MR. JOHNSON: You can't help us with zoning either  
5 apparently.

6 (Laughter.)

7 MR. GILSTRAP: Mr. Chairman, we made a trip to  
8 Washington and for whatever value it is, we were supposedly  
9 going to receive a letter that we were nice people and they  
10 agree with these beautiful ideas that we have. How much  
11 farther they'll go, we don't know; but at least they've said  
12 that. That's the best they've said to us in a long time.

13 CHAIRMAN CORY: My view of government doesn't  
14 take that as a compliment.

15 (Laughter.)

16 MR. BRADLEY: Mr. Chairman, the FEA has figured  
17 out after several detailed studies that the west side of  
18 the Valley over there has 5 billion barrels of oil, which  
19 is more than the North Slope had. I thought you might be  
20 interested in those numbers.

21 CHAIRMAN CORY: How much of that can be recovered,  
22 do you think?

23 MR. BRADLEY: We think 50 percent, maybe 65  
24 percent.

25 CHAIRMAN CORY: That's still there?

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26 NESS COURT  
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1 MR. BRADLEY: Yes.

2 CHAIRMAN CORY: Two and a half billion barrels of  
3 heavy sulfurous gunk.

4 MR. BRADLEY: As we've discussed before, the good  
5 Lord made it hard to get out, and it will be there for quite  
6 some time. It will be 30 to 50 years before we get it all  
7 out.

8 CHAIRMAN CORY: Fifty years.

9 Any questions?

10 MS. SMITH: No.

11 MR. McCAUSLAND: What is the next step?

12 EXECUTIVE OFFICER NORTHROP; The next step is  
13 what we're asking, Mr. McCausland and Mr. Chairman, is that  
14 the staff be instructed, or at least we are informing you  
15 that we would like to take the steps to make the necessary  
16 contacts, (a), with industry to see if there is any interest  
17 and, (b), to do some preliminary costing and really kind of  
18 going over the costs that the Independent Oil Producers'  
19 Agency have established and see how much of their material  
20 we can use as applicable to our program.

21 CHAIRMAN CORY: You should be looking at that,  
22 but you should also be talking to the Air Resources and  
23 other government agencies as to whether or not they view  
24 this as a realistic solution to a problem that we have and,  
25 if not, what the their stumbling blocks are.

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1 EXECUTIVE OFFICER NORTHROP: Preliminarily, I  
2 discussed this with the Air Resources yesterday, and they  
3 indicated that they would be most happy to follow on this  
4 program because they thought it was worthwhile. I have  
5 not discussed it with the Resources agency as well.

6 CHAIRMAN CORY: You indicated the figure was 50  
7 to 100 million for 15,000 barrel capacity. At that range,  
8 did that include desulfurization or just coking?

9 MR. JOHNSON: At the upper range figure you would  
10 have a very low sulfur product, less than one-tenth of one  
11 percent. At the low range, let's say, \$50 million, you would  
12 come out with coke and distillate that would not meet  
13 sulfur specifications and would require further finishing.

14 CHAIRMAN CORY: How would you move coke from the  
15 Southern San Joaquin Valley to the market?

16 MR. JOHNSON: Carefully.

17 (Laughter.)

18 MR. JOHNSON: Trucks, railroad cars, covered  
19 gondola trucks, something of this nature.

20 CHAIRMAN CORY: But the market is Japan.

21 MR. JOHNSON: Basically, the market today is  
22 Japan, but the coke we make out of San Joaquin Valley crude  
23 oil of this particular area is a relatively good grade of  
24 coke. It can be calcined up and has a preferential market  
25 as opposed to some of your coke from Wilmington.

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26 NESS COURT  
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1 EXECUTIVE OFFICER WINTER: They probably have  
2 a domestic market, Mr. Chairman.

3 CHAIRMAN CORY: For theirs, not ours.

4 EXECUTIVE OFFICER WINTER: Yes, for theirs. Ours  
5 does not have a domestic market.

6 MR. BRADLEY: I beg your pardon. Yours could very  
7 well have. If California had the necessary capacity coke,  
8 you know, the residue of coke for refining capacity of  
9 300,000 to 500,000 barrels a day -- and I think this is  
10 going to happen one of these days, it will have to -- then  
11 you are going to have a whole lot of coke. As a matter of  
12 fact, I think Japan will be about this far under coke after  
13 awhile, but when the FEA tells us we have to burn coal in  
14 Bakersfield and Fellows California, about 25 percent more of  
15 this coke will burn and be as comparable in price and air  
16 pollution.

17 The price to use this stuff up is as close as you  
18 produce it, right? There's no use showing it here and there  
19 and back every place else. There's a lot that could very  
20 well be used right in the State itself and be cheap and  
21 practical as importing coal.

22 CHAIRMAN CORY: Thank you, gentlemen, very much.  
23 The staff will be trying to see what they can learn from  
24 the other agencies here.

25 EXECUTIVE OFFICER WINTER: Mr. Chairman that

1 concludes my report.

2 CHAIRMAN CORY: Okay. A long report.

3 The next item on the agenda is the Consent Calendar.  
4 These are items C1 through --

5 MR. GOLDEN: I have a very brief report.

6 CHAIRMAN CORY: I'm sorry. Go ahead.

7 MR. GOLDEN: As your delegate to the Coastal  
8 Commission and the San Francisco Bay Conservation and  
9 Development Commission, I have a very brief report this  
10 month.

11 In the month of May the Coastal Commission considered  
12 and adopted regulations for the preparation of local coastal  
13 programs by the various city and county governments involved.  
14 About half of the affected cities and counties were granted  
15 small sums to get started identifying the issues to be  
16 addressed in preparing the local coastal plan. This repre-  
17 sents workload down the pike for us.

18 In the same period, the San Francisco Bay Conserva-  
19 tion and Development Commission approved a special area  
20 plan for Richmond and considered and approved a plan amendment  
21 in Benicia to change a portion of Benicia waterfront from  
22 industrial designation to marina designation.

23 In addition, extensive testimony was taken regarding  
24 the Emoryville marina project, primarily centered on the  
25 disposition of that four and a half acres of alleged illegal

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26 NESS COURT  
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1 fill placed on the project site.

2 That concludes my report.

3 CHAIRMAN CORY: Now we go to the Consent Calendar.  
4 That takes us from C1 through 20 with the exception of C11,  
5 which has been removed from the calendar.

6 Is there anybody in the audience who would have  
7 any objections to the approval of any of Items C1 through 20?

8 Any questions or discussion from members of the  
9 Commission?

10 Without objection, the Consent Calendar will be  
11 approved as presented.

12 MS. SMITH: This is C1 through 20?

13 CHAIRMAN CORY: C1 through 20 with C11 excluded.  
14 C11 has been removed.

15 EXECUTIVE OFFICER NORTHROP: Been put over until  
16 next month, Mr. Chairman.

17 CHAIRMAN CORY: Okay. Item 21.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this  
19 is a land swap between Erickson Lumber Company on our  
20 timberland and a section of beach front property in Santa  
21 Cruz County.

22 CHAIRMAN CORY: We give up the timber and get  
23 brussel sprouts and beets, right?

24 EXECUTIVE OFFICER NORTHROP: Right.

25 CHAIRMAN CORY: Anybody in the audience on Item 21?

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26 NESS COURT  
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1 Any questions from members?

2 Without objection, Item 21 will be approved as  
3 presented.

4 Item 22. This is the Sea Scout Base, expended  
5 \$442,752 for the Sea Scout Base. I understand the staff  
6 has negotiated some concessions that the general public will  
7 be interested in.

8 EXECUTIVE OFFICER NORTHROP: We had very good  
9 public hearings in Newport Beach wherein the Sea Scout is  
10 located. While we are putting in somewhere around roughly  
11 20 to 25 percent, maybe 30 percent, of total monies, the  
12 balance will be raised by private subscription. Over half  
13 the time on this Sea Scout Base will be used by other  
14 organizations without regard to sex or other characteristics  
15 in the operation of the Sea Scout Base.

16 CHAIRMAN CORY: All right. Item 22. Anybody in  
17 the audience?

18 Without objection, Item 22 will be approved as  
19 presented.

20 Item 23. The Executive Officer is trying to  
21 usurp some more power, authorizing him to enter into contracts,  
22 take other actions necessary to facilitate the removal of  
23 obstructions located in lakes, rivers, and streams without  
24 prior Commission review.

25 EXECUTIVE OFFICER NORTHROP: We have an addition

1 to that as well. Mr. Hight -- well, we want to put something  
2 back in. Mr. Ron Robie has said that he has some saltwater  
3 intrusion projects that he may want to put in the river.  
4 I think we better be prepared to --

5 CHAIRMAN CORY: You want to be given permission to  
6 do what?

7 EXECUTIVE OFFICER NORTHROP: I want permission in  
8 case --

9 MR. HIGHT: In the event that, Mr. Chairman, that  
10 the Water Resources must move very fast, the Executive  
11 Officer would request authorization to authorize the place-  
12 ment of rock dams to prevent saltwater intrusion.

13 MR. McCAUSLAND: Did we get this in writing? That's  
14 not on the calendar.

15 MR. HIGHT: No. I have some proposed language  
16 which I will submit to you.

17 CHAIRMAN CORY: Without objection --

18 MS. SMITH: One question. Do we want to put a  
19 limit on the amount of expenditures without approval?

20 EXECUTIVE OFFICER NORTHROP: No idea. Mr. Chairman,  
21 the Legislature has indicated that there is a possibility  
22 some \$500,000 will be allocated to be used immediately while  
23 the water is low. It's out of the Assembly and has not  
24 cleared the Senate as yet. I'm not sure of the timing on  
25 that. Last Monday is what we're looking at right now.

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1 CHAIRMAN CORY: We're worried it may rain.

2 EXECUTIVE OFFICER NORTHROP: It may rain. It may  
3 not be timely for another Commission meeting.

4 CHAIRMAN CORY: What about with an understanding  
5 if you're going to spend more than some figure that you  
6 would poll the Commission to get some feeling?

7 EXECUTIVE OFFICER NORTHROP: I have no objection.

8 MR. McCAUSLAND: Mr. Robie doesn't need that power  
9 if it rains.

10 (Laughter.)

11 MR. TAYLOR: The matter isn't with Mr. Robie.  
12 It's a matter of being where we are entering into contracts  
13 for State clearance. Robie would be asking us for permission  
14 to use our land to put his rocks on.

15 EXECUTIVE OFFICER NORTHROP: So there is no dollar  
16 value involved.

17 MR. TAYLOR: It would be his money. It would be  
18 Water Resources money.

19 EXECUTIVE OFFICER NORTHROP: That was really an  
20 afterthought.

21 CHAIRMAN CORY: It's not real money if it's theirs.

22 (Laughter.)

23 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I  
24 think \$25,000 would be an adequate sum with the proviso that  
25 at the next meeting I will confirm all actions with the

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383-3601

1 Commission.

2 CHAIRMAN CORY: Sid wanted to give you a hundred.

3 MS. SMITH: Is that for contracts or --

4 CHAIRMAN CORY: But don't take it to Vegas.

5 (Laughter.)

6 CHAIRMAN CORY: Without objection, it will be  
7 approved, including Robie's rocks, not to exceed a hundred  
8 grand.

9 Okay. Item 24.

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 24  
11 is the result of cooperation between the State of Nevada  
12 and --

13 CHAIRMAN CORY: We're suing them. How can we be  
14 cooperating?

15 EXECUTIVE OFFICER NORTHROP: Well, we put on the  
16 other hat. As a matter of fact, the State of the State  
17 message this year was very critical of California for not  
18 joining with Nevada and the Corps of Engineers in doing a  
19 survey on the piers. As a result of actions that we had  
20 already started, and I am sure the comments of the Governor  
21 himself, we now have \$15,000 that we are ponying up with  
22 Nevada at \$750,000, and if my memory serves me correctly,  
23 25,000 from the Army Corps of Engineers.

24 CHAIRMAN CORY: They're putting up 7860.

25 EXECUTIVE OFFICER NORTHROP: 7500. We're putting

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TELEPHONE (916) 383-3601

1 up 15.

2 CHAIRMAN CORY: I was going to say that I was  
3 impressed that the State of Nevada was --

4 EXECUTIVE OFFICER NORTHROP: They're putting in  
5 half of what we're putting in. It's a prorated share.

6 CHAIRMAN CORY: Anybody in the audience on Item 24?  
7 Without objection, it will be approved as presented.

8 Item 25, Lion Oil, renewal and amendment to the  
9 lease, which includes volumetric considerations that there  
10 will be a reservation suspense account for that dispute  
11 until resolved.

12 Anyone in the audience on Item 25? Yes, sir.

13 MR. MORTON: Rex Morton, Lion Oil Company. We  
14 have no comment to make.

15 CHAIRMAN CORY: We are about ready to go whizzing  
16 away. If you have got a problem, speak up.

17 MR. MORTON: There is no problem.

18 CHAIRMAN CORY: Without objection, Item 25 will  
19 be approved as presented.

20 Item 26, renewal and amendment of industrial lease  
21 for five years with Holly Corporation. Volumetric rental  
22 is included, including minimum rental of \$4,800.

23 Anybody in the audience of Item 26?

24 Any questions?

25 Without objection, Item 26 will be approved as

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383-3601

1 presented.

2 Item 27, a contract. This is competitive bidding?

3 EXECUTIVE OFFICER NORTHROP: Yes, sir.

4 CHAIRMAN CORY: Atlas Blueprint to provide services  
5 not to exceed \$20,000. There is some question whether or  
6 not that would be sufficient.

7 EXECUTIVE OFFICER NORTHROP: We'll come back, right.

8 CHAIRMAN CORY: Anybody in the audience on Item  
9 27?

10 Without objection, Item 27 will be approved as  
11 presented.

12 Item 28, contract for Aerial Surveys. Again  
13 competitive bidding?

14 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, at this  
15 point it might be pointed out that because of what is  
16 required in photographic equipment the staff informs me  
17 that there are only two people in the Sacramento or Greater  
18 Sacramento Area who can handle it. We've sent bids to both.

19 The company who currently has the contract did  
20 not submit another bid, so we took the only bid that came  
21 in.

22 CHAIRMAN CORY: They have dealt with us before.

23 EXECUTIVE OFFICER NORTHROP: Yes.

24 CHAIRMAN CORY: Anybody on Item 28?

25 Without objection, it will be approved as presented.

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24 NESS COURT  
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1           Item 29, Southern California Edison, Louisiana-  
2 Pacific, temporary right-of-way permit. Hundred dollars  
3 per annum.

4           EXECUTIVE OFFICER NORTHROP: This is to give  
5 power back to a water project or project that has been shut  
6 down because of water quality in that area.

7           CHAIRMAN CORY: They've cleaned up their act.

8           EXECUTIVE OFFICER NORTHROP: Cleaned up their act,  
9 and they need the power to run it.

10          CHAIRMAN CORY: Anybody in the audience on Item 29?  
11 Without objection, it will be approved as presented.

12          Item 30, Sea Explorer Troop, Ship Dolphin for  
13 fireworks. This is Seal Beach next to -- on the property  
14 we own?

15          EXECUTIVE OFFICER NORTHROP: On the property we  
16 own.

17          CHAIRMAN CORY: And they want to sell fireworks.

18          MR. McCAUSLAND: Since the Executive Officer  
19 comes to us and asks for authority to damage the ecology  
20 of the Sacramento River, why doesn't he ask for authority  
21 to grant firework permits on his own volition? Why are we  
22 doing it?

23          MR. GOLDEN: It's required by statute.

24          CHAIRMAN CORY: It's required by statute.

25          Any objection?

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26 NESS COURT  
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1           Anybody in the audience?

2           Let's hear it for the fireworks. Item 30 is  
3 approved as presented.

4           Item 31, County of Marin wants a 30-year Public  
5 Agency Permit to restore marsh.

6           Anybody in the audience on Item 31?

7           Questions from the Commissioners?

8           Without objection, it will be approved as presented.

9           Item 32. Union Oil is completing a --

10          EXECUTIVE OFFICER NORTHROP: Drilling a well in  
11 a steam field. As part of our approval authority --

12          CHAIRMAN CORY: Existing lease and everything is  
13 in order.

14          EXECUTIVE OFFICER NORTHROP: Yes, sir.

15          CHAIRMAN CORY: Anybody in the audience on Item 32?  
16 Commissioners?

17          Without objection, it will be approved as presented.

18          Okay. You want to extend the request of the  
19 County of Santa Barbara and Aminoil for the period of  
20 issuance of issuing a demand notice to Aminoil to remove  
21 the Ellwood Pier.

22          EXECUTIVE OFFICER NORTHROP: The Ellwood Pier  
23 was due to be removed according to our recent, our last  
24 extension, May 1st. They've asked to go to August 1 because  
25 they have a study that is nearly complete, and they will be

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26 NESS COURT  
SACRAMENTO, CALIFORNIA 95826  
TELEPHONE (916) 383-3601

1 able to make their decision at that time.

2 CHAIRMAN CORY: Anybody in the audience on this  
3 item?

4 MR. DALL: Mr. Chairman, Norbert Dall, from the  
5 Sierra Club. We're wondering, is that a pier that is being  
6 used now to transfer oil from Platform Holly through the  
7 Aminoil facilities out to the tankers? Is this not that  
8 pier?

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I am  
10 getting an indication no from Mr. Everitts, but I would like  
11 to have him address that directly.

12 MR. EVERITTS: The pier that we're discussing used  
13 to be the pier that contained about half a dozen wells on  
14 it, producing wells from an Aminoil lease. It's in the  
15 same area as that Platform Holly's production is shipped by  
16 tanker from. It has nothing to do with that loading terminal.

17 MR. DALL: For what use would the pier be -- to  
18 what use would it be used?

19 EXECUTIVE OFFICER NORTHROP: The City of Santa  
20 Barbara is doing a study to see whether it would be feasible  
21 to convert the pier to a fishing recreation pier or to have  
22 it taken out. Aminoil is taking it out if Santa Barbara  
23 doesn't want to use it in that fashion.

24 MR. DALL: Thank you.

25 CHAIRMAN CORY: Further questions? Commissioners?

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26 NESS COURT  
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1 Without objection, extension will be granted as  
2 requested.

3 Item 34. We exempt from competitive bidding  
4 procedure --

5 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we  
6 have a parcel of 11 acres on which the staff informs me there  
7 is not enough for us to put a platform. It is out for bid  
8 and further, it is less than the minimum facing requirement  
9 for a gas well. So, the surrounding property is owned by  
10 or leased by Shell Oil Company; and so, therefore --

11 CHAIRMAN CORY: It's the only game in town.

12 EXECUTIVE OFFICER NORTHROP: It's the only game  
13 in town.

14 MR. McCAUSLAND: How do we come up with a parcel  
15 like that?

16 EXECUTIVE OFFICER NORTHROP: The parcel belongs  
17 to the Reclamation Board. It's not ours; it's theirs.

18 CHAIRMAN CORY: Reclamation districts are generally  
19 operated as private entities by the landowners, but there  
20 is a statutory provision that says they can't lease out  
21 their property without our approval. But these guys down  
22 in the Delta, it's like their own deal, and one lawyer runs  
23 them all. It's a weird deal.

24 Anybody in the audience on Item 34?

25 Without objection, then, we'll violate the public

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1 interest and approve Item 34.

2 MR. McCAUSLAND: I don't want to vote on that.

3 CHAIRMAN CORY: We will approve the only course  
4 open to us to protect what meager interest the Reclamation  
5 District 551 has.

6 MR. McCAUSLAND: I don't know if I want to vote  
7 for that either. Give me a clean motion.

8 (Laughter.)

9 CHAIRMAN CORY: We will determine that it is in  
10 the best interest of the State to exempt from competitive  
11 bidding procedure the 11 acres of the district, and they  
12 should do with it as best they can.

13 MR. McCAUSLAND: I'll vote for that.

14 CHAIRMAN CORY: Without objection, that will be  
15 approved.

16 Item 35.

17 EXECUTIVE OFFICER NORTHROP: We have dealt with  
18 Item 35.

19 CHAIRMAN CORY: Item 36. Do we need some modifica-  
20 tion on that?

21 EXECUTIVE OFFICER NORTHROP: Yes, I believe we do  
22 on that.

23 CHAIRMAN CORY: And our brains left.

24 (Laughter.)

25 MR. McCAUSLAND: It was basically the report that

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SACRAMENTO, CALIFORNIA 95826  
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1 he presented to us, too. We can adopt the revised figures,  
2 and I move adoption.

3 CHAIRMAN CORY: Without objection, it will be  
4 adopted as presented.

5 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the  
6 review of the third quarter of Parcel "A" of Long Beach, it  
7 is as projected with a possible exception. Mr. Thompson,  
8 would you care to comment on it?

9 MR. THOMPSON: We are trying to get an illustration  
10 there of what's happened to the revenue projection made  
11 before. We've had to actually refund part of that money,  
12 we're in the process right now, five or six million dollars.

13 CHAIRMAN CORY: That's the court case, right?

14 MR. THOMPSON: That was referred to.

15 CHAIRMAN CORY: But in the process by losing that  
16 we preserve the option of getting treble damages, and if  
17 the judge found otherwise, we have lost that.

18 MR. THOMPSON: The cash flow will be adjusted. As  
19 the City of Long Beach pays it back, we have held money  
20 in protest. That will be released at the same time.

21 CHAIRMAN CORY: Okay. 37. Caustic waterflooding  
22 techniques.

23 MR. THOMPSON: There is a report in progress that  
24 is going satisfactorily, except for our drilling crew strike  
25 which has delayed us about four or five months. We've had

1 a strike down there, and we've only been able to drill one  
2 new well this year.

3 CHAIRMAN CORY: Who is striking?

4 MR. THOMPSON: The crew -- our legal crew is down  
5 there. Academy Drilling.

6 CHAIRMAN CORY: The employees are striking against  
7 Academy Drilling --

8 MR. THOMPSON: Against Academy Drilling.

9 CHAIRMAN CORY: Can we get another contract?

10 MR. THOMPSON: We are in the process right now.

11 CHAIRMAN CORY: I don't think we want to do any-  
12 thing on that item.

13 MR. THOMPSON: That was an informational calendar  
14 item, Item 38.

15 CHAIRMAN CORY: Ignorance is bliss.

16 (Laughter.)

17 MR. THOMPSON: 38 is the closing of a subsidence  
18 item in which because of subsidence damages we had to replace  
19 a parking lot. This money could be deducted without prior  
20 approval --

21 CHAIRMAN CORY: Any objection? Anybody in the  
22 audience?

23 Without objection, Item 38 is approved as presented.

24 Item 39. Translated this means that you have  
25 four heads for 140k and it's a bargain.

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1 MR. THOMPSON: Well, the number of heads may be  
2 more than that, but it's four locations.

3 CHAIRMAN CORY: Why aren't we in the business of  
4 contracting for comfort stations?

5 MR. THOMPSON: This has actually been checked  
6 through other State agencies.

7 CHAIRMAN CORY: Yes, I understand it. It's \$75  
8 per square foot per can, and Transportation is paying \$78?

9 MR. GOLDEN: Beaches and Parks.

10 CHAIRMAN CORY: What is Transportation paying or  
11 Highways paying on the roadside?

12 MR. GOLDEN: We couldn't get an answer from  
13 Transportation, but we did get an answer from Parks and  
14 Recreation. They indicated that bids are going much above  
15 \$75 at this point.

16 MR. THOMPSON: This essentially comes out of the  
17 city's share title in the Trust monies.

18 CHAIRMAN CORY: I hope the public takes note  
19 that there is opportunity in the private sector for anybody  
20 wants to bid on these.

21 Without objection, 39 is approved as presented.

22 Boundary line agreement, Item 40. Approximately  
23 one mile of the Colorado River south of Blyth in the Lake  
24 Davis area, Imperial County. Who has the details on that?

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,

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1 Mr. Trout has the details on that.

2 CHAIRMAN CORY: Is there agreement?

3 MR. TROUT: It's an agreement that resulted from  
4 our boundary study. It's an agreement on the line as  
5 recommended by your staff adopted by the Commission.

6 CHAIRMAN CORY: Anybody in the audience on this  
7 item?

8 Any questions from members?

9 MR. TAYLOR: The party is agreeing to the high  
10 water mark. Very happy to do so, as a matter of fact.

11 CHAIRMAN CORY: Wants to build in a hurry.

12 Without objection, Item 40 is approved as presented.

13 Item 41, approved boundaries of the proposed  
14 annexation by the City of Concord of tide and submerged  
15 lands located within Suisun Bay, Contra Costa County.

16 Anybody in the audience on Item 41?

17 Any comment from Commissioners?

18 MR. McCAUSLAND: The question as to why the city  
19 would want to annex tide and submerged lands.

20 EXECUTIVE OFFICER NORTHROP: We have to.

21 CHAIRMAN CORY: Why do they want to? We know we've  
22 got the right to say no, but why do they want it?

23 MR. TROUT: Mr. Chairman, there are some improve-  
24 ments in that area that would be susceptible to possessory  
25 interest taxes that are now going to the county.

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1 MR. McCAUSLAND: No objection.

2 CHAIRMAN CORY: Without objection, Item 41 is  
3 approved as presented.

4 Item 42. An informational item concerning Tomales  
5 Bay. Inform us.

6 MR. TROUT: Well, Mr. Chairman, some years ago  
7 the Supreme Court came down with Marks vs. Whitney case  
8 which in effect said that the trust for commercial navigation  
9 and fisheries was not a static thing but could meet the  
10 changing needs of society. As a result of this, the Court  
11 said that among other things, the Trust included --

12 CHAIRMAN CORY: Could afford Greg Taylor for years.  
13 (Laughter.)

14 MR. TROUT: The trust involved such things as  
15 open space, environmentals, wildlife habitat, bathing,  
16 various kinds of things like that. Following that suit,  
17 the Marin County Council suggested that the county be very  
18 careful in dealing with the development of tidelands, trust  
19 lands. In other words, lands where the State sold the area  
20 between the high and low tide. As a result, the property  
21 owners up there found it very, very difficult to sell property  
22 that has been improved on the tidelands.

23 The second point is that on some tideland areas  
24 that are unimproved, the county has been unwilling to issue  
25 building permits until the Commission makes a determination

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1 that the proposed project is consistent, or at least not  
2 inconsistent, with the Trust.

3 This, together with the nontitle waterway problem  
4 and high water-low water and the developing trust for  
5 navigational servitude, has made this a very difficult problem  
6 to come up with in a short period of time. Meanwhile,  
7 people in Marin County have been waiting for some direction.

8 We're recommending to you that the Commission  
9 begin to process some of these backlogged projects in Tomales  
10 Bay on an individual basis where two requirements are met.  
11 One is that the proposed project would be consistent with  
12 the Commission's own practice. In other words, if it were  
13 not patented tidelands, but tidelands under the Commission's  
14 jurisdiction, it would meet the Commission's leasing require-  
15 ments and, too, that there be no significant environmental  
16 effects.

17 We have two projects now before us, one of which  
18 has not been to the Coastal Commission. But we believe we  
19 can present to you next month of Mr. Robert Cassell, another  
20 one involving Kagel and Kagel Company which has been rejected  
21 by the Coastal Commission. We haven't processed that far  
22 enough to give you some advice. So, it's an informational  
23 item.

24 CHAIRMAN CORY: That's nice information, but if  
25 the Coastal Commission has rejected, why should we consider

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1 it?

2 MR. TROUT: It has been appealed to the State  
3 Commission so the project is not dead as far as the Kagel and  
4 Kagel project. We will wait and see. We won't take any  
5 further action on it.

6 CHAIRMAN CORY: Greg?

7 MR. TAYLOR: I would just say that the process  
8 we have here, the county has adopted a certain line which is  
9 as far back as the high water mark has ever been found to go.  
10 Any improvements waterward of the line we refused to give  
11 permits to without some advice from the Commission as to  
12 whether or not the area is necessary or of sufficient interest  
13 in preservation of the Bay for the State to exercise its  
14 easement over it or not.

15 What we're informing the Commission by this calendar  
16 item is that on a case-by-case basis, until there is an  
17 overall plan for the area development in connection with  
18 the Coastal Plan, we'll take those applications because  
19 they've been building up for some time and there doesn't  
20 seem to be a resolution of the problem unless we do it that  
21 way.

22 MR. TROUT: The North Central Coastal Commission  
23 has expressed orally by telephone last night support to  
24 this concept, and they stand ready to work with us in  
25 developing an overall plan for Trust administration of

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1 Tomales Bay.

2 MS. SMITH: What problems will we run into doing  
3 it on a case-by-case basis?

4 CHAIRMAN CORY: We're just going to a Planning  
5 Commission.

6 MR. TAYLOR: There may be special circumstances  
7 in some areas that will permit us to do that. In other  
8 areas, we may have to wait for the overall plan which is  
9 mandated by the Commission.

10 CHAIRMAN CORY: What we're saying is we're going  
11 to look at them and if there's really no significant impact,  
12 it's probably going to fly anyway, we can let those people  
13 out so they aren't harassing us as being overbearing and  
14 uncooperative and all of that.

15 MR. TROUT: That's the basic proposal, yes.

16 CHAIRMAN CORY: It's nice information to have.  
17 Status of major litigation.

18 MR. TAYLOR: We wore you out last month. I think  
19 we'll give you a rest this month. We've given you one report  
20 that Mr. McCausland asked for the Laguna Beach item.

21 CHAIRMAN CORY: The briefs have been filed in  
22 the major action, the boundary dispute, and Jan wants us  
23 to indemnify him if he buys a new appropriate suit to  
24 litigate this matter before the Supreme Court. If the  
25 suit is damaged, he gets reimbursed. I gave him my personal

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1 guarantee.

2 (Laughter.)

3 MR. McCAUSLAND: I want to know what we do with  
4 the suit if he loses the suit in the first place?

5 (Laughter.)

6 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, in line  
7 with this and the next item before the meeting in June,  
8 Mr. Taylor does feel that he has a very good chance of wrap-  
9 ping up the West Bay case, and we would like to ask if the  
10 July meeting could not be held in San Francisco to put the  
11 final touches on that at that time.

12 CHAIRMAN CORY: July meeting?

13 MR. TAYLOR: That's subject to everyone being  
14 cooperative on the edges, but it appears that the parties  
15 are in agreement and hopefully we will get the edges taken  
16 care of.

17 EXECUTIVE OFFICER NORTHROP: This is the end of  
18 how many years, Mr. Taylor?

19 MR. TAYLOR: Since '68.

20 CHAIRMAN CORY: That's why he's been stirring up  
21 all this new stuff.

22 (Laughter.)

23 CHAIRMAN CORY: Any other items to come before  
24 the Commission?

25 MR. TAYLOR: I might report the Throughput case

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1    tried by WOGA to dismiss State issues in a stay in Federal  
2    Court.  The Court said no, the State issues would remain  
3    and we will file this action in State court.  We are  
4    awaiting WOGA refiling the action in State court.

5                   CHAIRMAN CORY:  We stand adjourned.

6                   (Thereupon the State Lands Commission meeting  
7                   of May 26, 1977, was adjourned at 3:30 p.m.)  
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1 State of California )  
2 County of Sacramento )

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

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

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

14 IN WITNESS WHEREOF, I have hereunto set my hand  
15 and affixed my seal of office this 17<sup>th</sup> day of June,  
16 1977.

17 Wendy E. Schiller  
18 WENDY E. SCHILLER  
19 Notary Public in and for the  
20 County of Sacramento, State of  
21 California  
22  
23  
24  
25