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MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, FEBRUARY 22, 1979
10:00 A.M.

Delores I. Dalton

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MEMBERS PRESENT

- Hon. Kenneth Cory, Chairman
- Hon. Mike Curb, Lieutenant Governor
- Mr. Roy Bell, for Richard T. Silberman, Director of Finance

STAFF PRESENT

- William Northrop, Executive Officer
- R. S. Golden, Assistant Executive Officer
- James Trout
- Robert Hight
- W. M. Thompson
- Dianna Jones

ALSO PRESENT

- Jan Stevens, Attorney General's Office

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P R O C E E D I N G S

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CHAIRPERSON CORY: Call the meeting to order.

The first item of business is Confirmation of the minutes of January 25th. Are there any corrections or additions to those minutes?

If there is no objection, the minutes will be confirmed as presented.

The first item is the report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Since 1973, the State Coastal Commission and its Regional Commissions have required the dedication of numerous public beach access and open-space easements as conditions to coastal development permits. However, many of the access easements are not now open to the public because they are not under the administrative authority of an appropriate operating entity, such as a city, county or State agency.

The State Lands Commission, as well as the Departments of Parks and Recreation, Fish and Game and others have been asked by the Coastal Commission to accept such easements. Several legal questions regarding the Commission's exposure to public liability and maintenance responsibility still remain to be resolved before we present specific criteria and processes for accepting these easements

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1 for your consideration.

2 Acceptance of coastal easements by the State
3 Lands Commission will assist not only in the implementation
4 of the Coastal Act, but in the administration of the
5 Commission's mandate to protect and enhance public access
6 to the shoreline.

7 We propose, Mr. Chairman and Members, with
8 your concurrence, to continue this effort with the staffs
9 of the Coastal Commission, the Coastal Conservancy and
10 other State agencies, but we are really concerned about
11 the liability when we accept these easements for maintenance
12 and other liability problems. It's something we would like
13 to lay before you. We are working on it. It's a problem.

14 CHAIRPERSON CORY: Mr. Northrop, the thing I
15 don't understand is when I voted in support of the Coastal
16 Act and when the whole project started we were to keep
17 in the dark all of the potential costs of this because it
18 wasn't going to cost the taxpayers any money. We were
19 just supposed to make it happen without it costing money.
20 Can't you figure out a way to avoid all of these serious
21 legal problems you're coming up with?

22 (Laughter.)

23 EXECUTIVE OFFICER NORTHROP: The Coastal Commission
24 has been quite enthusiastic and energetic in getting
25 dedications so that these developments can go on.

1 CHAIRPERSON CORY: What happens to the State's
2 position vis-a-vis liability if the easements exist? If
3 the guy has got the permit and has dedicated them, who
4 is on the hook for those unattended easements at this
5 point? Anyone?

6 EXECUTIVE OFFICER NORTHROP: There are offers
7 to dedicate, but at the time they are accepted, we have
8 a serious problem.

9 CHAIRPERSON CORY: Just perpetual?

10 MR. GOLDEN: Twenty-five years for acceptance.

11 CHAIRPERSON CORY: Any comments from the
12 Commissioners? It seems like a delightful problem.

13 EXECUTIVE OFFICER NORTHROP: Mr. Chairman and
14 Members, the State Oil and Gas Lease PRC 1631.1, covering
15 approximately 640 acres of tide and submerged lands in the
16 Huntington Beach Field, Orange County, was issued on
17 November 15, 1944, and is currently operated by AmnOil
18 U.S.A., Inc. The lease has produced continuously since
19 1945 and produced in excess of five million barrels of
20 primary oil. Sixteen primary producers were originally
21 drilled on the lease between '45 and '57. At present,
22 all but three wells have been shut-in due to poor production
23 and the current daily average production per well from
24 these wells is less than ten barrels per day.

25 The lessee is studying the feasibility of an Upper

1 Main Zone waterflood program for the lease. A part of this
2 study will include a pilot waterflood project in the Upper
3 Main Zone. No new wells will be drilled. We are trying
4 to use the existing idle wells.

5 Upon conclusion of the study, the lease may
6 require modification to an existing sliding scale royalty.

7 We are monitoring this project, and we think
8 it may be a way that we can increase oil production. But
9 we would require modification in the lease procedure if
10 it works.

11 CHAIRPERSON CORY: Didn't we have a minor --

12 EXECUTIVE OFFICER NORTHROP: We did a similar
13 adjustment in sliding scale royalty on another lease in
14 a similar situation.

15 CHAIRPERSON CORY: Aminoil's?

16 EXECUTIVE OFFICER NORTHROP: I believe it was.

17 CHAIRPERSON CORY: I thought we had a thing
18 where we kept suggesting renegotiations to Aminoil and
19 they kept refusing.

20 EXECUTIVE OFFICER NORTHROP: That was on another
21 lease, Mr. Cory, on the primary schedule.

22 Is Mr. Willard here or Mr. Everitts?

23 CHAIRPERSON CORY: That's okay. If it's not this
24 one --

25 EXECUTIVE OFFICER NORTHROP: It's not this one.

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1 MR. EVERITTS: This is not it.

2 EXECUTIVE OFFICER NORTHROP: Mr. Chairman and
3 Members, before I conclude my report, there is a matter
4 of personnel that I would like to discuss at this public
5 meeting, and that is that Bud Uzes of our staff has
6 completed 25 years of State service, and I wondered if
7 the Chairman would like to --

8 CHAIRPERSON CORY: If Mr. Uzes would come forward,
9 we would like to present him, in full compliance with the
10 Bureau of Limits market that we are in -- (the full token
11 of our esteem is measured by the enormous size --

12 (Laughter.)

13 CHAIRPERSON CORY: -- but congratulations to you,
14 and we appreciate it, even though you have cost us untold
15 thousands of dollars.

16 (Laughter.)

17 LIEUTENANT GOVERNOR CURB: Congratulations.

18 CHAIRPERSON CORY: Do you have any comments in
19 terms of how the lawsuit is going, other than the lawyers
20 on each side are getting rich?

21 MR. UZES: I don't know about that. It's my
22 understanding it's making progress. It's going to take
23 some time.

24 EXECUTIVE OFFICER NORTHROP: And money.

25 (Laughter.)

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CHAIRPERSON CORY: Thank you very much.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, with the notation of the Consent Calendar, Item C4, there is a change from a credit amount to Dow Chemical -- as the Calendar item states, i.e.'s \$1,102.80. Mr. Trout's staff has refigured it, and that amount should read on pages 32 and 33 \$1,005.44.

That concludes my report, Mr. Chairman.

Mr. Golden.

MR. GOLDEN: Yes, Mr. Chairman and Members of the Commission. The subject this morning is Federal Consistency Determinations for OCS Activities.

Section 307(c)(3) of the Federal Coastal Zone Management Act provides a mechanism whereby a coastal state which has a Coastal Management Program approved by the Secretary of Commerce can require a certification of consistency from any applicant who submits a plan to the Secretary of the Interior for the exploration, development, or protection of the Outer Continental Shelf, if the activities involved affect any land or water use in the State's coastal zone.

CHAIRPERSON CORY: What does that mean?

MR. GOLDEN: In essence, it means we have some control which as yet is undefined over the activities which the lessees from the Federal Government -- their activities

1 in the off-shore OCS.

2 CHAIRPERSON CORY: What is consistency?

3 MR. GOLDEN: That means that we have to review
4 their application as to what they plan to do and determine
5 if that is consistent with our Coastal Zone Management Act.

6 CHAIRPERSON CORY: The consistency is what they
7 propose to do with our program and not what they had
8 proposed to do when they made the bid with what they are
9 currently doing?

10 MR. GOLDEN: That's right.

11 Since the certification of the State's Coastal
12 Management Program by the Federal Government went into
13 effect several months ago, the Coastal Commission has been
14 reviewing an increasing number of applications for OCS-
15 related activities on Federal lands off the California coast.
16 Our staff in both Sacramento and Long Beach has been
17 reviewing and will continue to review the requests for
18 consistency certification by the Coastal Commission and
19 has from time to time commented on them.

20 Two such applications were considered by the State
21 Coastal Commission this last Tuesday evening. These requests
22 for certification involved the drilling of six exploratory
23 wells in the Santa Barbara Channel proposed by Exxon
24 Corporation, and the drilling of one well in the San Pedro
25 Bay Area south of Huntington Beach by the SOHIO Petroleum

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1 Company. The Commission concurred in both of these
2 certifications.

3 And we did review, incidentally, the applications
4 in both instances and commented to the Coastal Commission
5 on them.

6 In related action yesterday, the Coastal
7 Commission had a hearing on proposed regulations for
8 consistency determinations. Our concerns were expressed
9 relative to receiving needed technical data to evaluate
10 possible drainage and other impacts of oil development on
11 OCS lands. Confidentiality provisions of Federal regulations
12 and laws pose some potential problems. Commission staff
13 will be exploring ways of obtaining this data for our
14 review. The matter will be subject to further public
15 hearing in March.

16 CHAIRPERSON CORY: The problem is that if they
17 are doing an OCS drill inside the three-mile limit, they
18 could be draining our property --

19 MR. GOLDEN: If they are on the outside of the
20 three mile --

21 MR. BELL: Even on the outside.

22 MR. GOLDEN: That's right.

23 CHAIRPERSON CORY: And the confidentiality statute
24 makes it difficult for us to look at the geology to determine
25 whether or not that is true?

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1 MR. GOLDEN: In the Federal Act, there is only
2 one State individual or agency which the Governor can
3 certify as the one to receive the technical data, and
4 that's the problem. If the Coastal Commission is the one
5 to comment on this, we may be shut out unless we have some
6 sort of working relationship in which they allow us --

7 CHAIRPERSON CORY: The Coastal Commission has
8 the data, and you can't look at it?

9 MR. GOLDEN: The lawyers tend to think this is
10 not possible, and this is what we are trying to work out.

11 CHAIRPERSON CORY: Jan, Mr. Hight, I want you
12 to know that within 15 years, the entire western civilization
13 will come to a grinding halt because the blessed lawyers
14 have figured out that nobody can do anything.

15 (Laughter.)

16 CHAIRPERSON CORY: I don't know how you guys are
17 going to get us out of this, but, hopefully, we will get
18 our 25 year pins before --

19 (Laughter.)

20 CHAIRPERSON CORY: Any questions from the
21 Commissioners?

22 For the people in the audience, the next items
23 we have are the Consent Calendar items. They are on the
24 printed calendar, designated by the letter C prior to the
25 number. C4 is the one that has been amended to the tune of

1 some \$97, roughly, pursuant to the Executive Officer's
2 request on a recalculation.

3 There are Items C1 through 16. We are going to
4 take them up - unless there are objections from the
5 audience - with the proposed staff recommendation, we will
6 take them up in one motion. If there is anybody in the
7 audience who is concerned about what the staff proposes to
8 do with those items, we would like to know now so we can
9 pull them from the Consent Calendar.

10 Without objection then --

11 MR. BELL: No objection.

12 LIEUTENANT GOVERNOR CURB: No objection.

13 CHAIRPERSON CORY: Without objection, the Consent
14 Calendar, Items C1 through 16, will be approved as presented
15 with the exception of the amendment to C4.

16 Item 17 is off calendar.

17 Item 18.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
19 is a use permit to the United States Department of the
20 Interior for a lease, General Agency Permit, for an area
21 in Shelter Cove -- north and south of Shelter Cove.

22 CHAIRPERSON CORY: In Humboldt-Mendocino Counties?

23 EXECUTIVE OFFICER NORTHROP: Right.

24 CHAIRPERSON CORY: Anybody in the audience on
25 this item?

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1 Without objection, Item 18 is approved as
2 presented.

3 Item 19, Alternatives for Management of timber
4 resources on State school lands.

5 Is this Mr. Trout?

6 EXECUTIVE OFFICER NORTHROP: Mr. Trout's.

7 MR. TROUT: Mr. Chairman, I think we just wanted
8 to point out that the State has something like 100 million
9 board feet of merchantable timber. I think the big
10 impact that we want to consider is that there is a
11 possibility that Federal wilderness reviews and closures
12 of the wilderness areas will limit the available timber
13 to the small timber operators -- not the big guys that
14 are in tree farming, but the small timber operators.

15 At the present time, we are just doing our timber
16 work on an as-available or as-needed basis. If there is
17 a fire, we probably salvage the timber. If there is buggy
18 timber, we try to get it before the infection spreads to
19 some other area.

20 I believe our point is we would like to continue
21 the program, attempt to augment our timber resources. It
22 doesn't look like we are going to get further funds from
23 the Federal Government for the reforestation project, but
24 I think if we wanted to expand the timber harvesting program
25 at least pick up some of the slack from the Federal

1 reduction we anticipate -- we can produce a sustained
2 yield of about half a million dollars a year. It's going
3 to take about a half a million dollars.

4 Without giving something else within the program,
5 it's going to take about three positions. We are looking
6 at perhaps \$100,000 a year in costs and long-term sustained
7 yield average at today's timber prices of about half a
8 million.

9 CHAIRPERSON CORY: Are you suggesting that we
10 would then become active merchandisers of the timber
11 as opposed to --

12 MR. TROUT: Yes, sir.

13 CHAIRPERSON CORY: -- just laying back and just
14 waiting for an agency to call.

15 MR. TROUT: We would actively solicit the timber
16 harvest under a long-term management program.

17 One of our problems is that many of our trees
18 in the forested areas, they are past the time when they
19 should have been cut. They are closing out the regrowth
20 of new trees. We are losing more timber to decay than
21 we are getting in growth.

22 But it's something to consider. I think what
23 we are trying to say is, one, we would like -- there are
24 two aspects of the calendar item. We have asked your
25 endorsement of an aggressive timber management program as

1 a focus of the staff work, and, second, we do believe that
2 the Commission could fill in some of the gap and could
3 produce over a period of time a half a million dollars
4 a year of sustained revenue. Because there are some
5 areas that are now overripe. We could go in and produce
6 probably several million dollars in the first year or two.
7 Then there would be a slack period while we went in and
8 identified further areas, obtained road rights-of-way,
9 filed timber harvest plans, and then the production would
10 commence again.

11 CHAIRPERSON-CORY: Do you think this could be
12 done consistently with the desires of people who are
13 environmentally-oriented as opposed to dollar oriented?

14 MR. TROUT: Yes. We think that this would be
15 a sustained program in appropriate areas.

16 Now, one of the things that the Commission was
17 involved in early in the last Administration was a land
18 consolidation program. Mr. Northrop has been working with
19 the Assistant Secretary of the Interior and the Director
20 of the BLM in trying to get some cooperation on land
21 consolidation, the goal being to get the environmentally-
22 sensitive areas within the Federal wilderness and under
23 Federal programs and stay in the environmentally less
24 sensitive and more commercially-oriented properties.

25 The program will be coming out of that. Mr.

1 Northrop has another meeting with some other western states
2 scheduled for late March. So it is possible during the
3 late summertime that we should have something further to
4 report.

5 EXECUTIVE OFFICER NORTHROP: I think it is
6 aggravated by the fact that the Federal Government has
7 plans to take out of Federal production considerable numbers
8 of board feet of timber that will be covered under the
9 new Rare II and other programs that have locked it in.

10 So we are really going to come in with the
11 position that we are going to have a great deal of pressure
12 put on everyone for the available timber.

13 CHAIRPERSON CORY: I'm hesitant to take a formal
14 vote on this today until there has been some notice to
15 the public of what we are doing, for those people who
16 might think this is a bad idea. It sounds, at this point,
17 like a plausible thing and that we should be proceeding
18 in that direction, but --

19 MR. BELL: Mr. Chairman, is this something that
20 should go before the Legislature for their policy review?
21 Normally when you embark on a commercial program by the
22 State, which is basically what this is, they may want to
23 review it.

24 CHAIRPERSON CORY: In essence, we have the
25 existing statutory authority to do it --

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1 MR. TROUT: Yes, we do.

2 CHAIRPERSON CORY: -- but it would be a change
3 in policy.

4 MR. TROUT: One alternative that the Commission
5 might wish to take rather than acting on this calendar
6 item would be to direct the staff to prepare some
7 legislation to cover such a program. We thought perhaps
8 a portion of the revenue should come back to sustain a
9 reforestation effort. We could, in lieu of this calendar
10 item, simply respond to the Commission's wishes and try to
11 draft some legislation and come back with that as one
12 approach, which if the Commission wanted to support, we
13 could find an author.

14 MR. BELL: The part that I think is very good
15 on this is the fact if the Federal Government pulls out
16 too much of this acreage from production, leases or whatever
17 you call that where they put it out to bid, it's going to
18 close a lot of the little independents out. The big
19 companies won't suffer, but an awful lot of the smaller
20 loggers will. It's possible the State could offer its
21 resources to these types of people and keep the economies
22 of that section of the State going.

23 But since the Federal Government hasn't done that
24 yet, I don't know whether we would want to act on it this
25 fast or take Mr. Trout's alternate suggestion.

1 CHAIRPERSON CORY: Is the Sierra Club or that
2 element of our society aware of this problem?

3 MR. TROUT: They are aware of the problem. We
4 haven't discussed it with anybody in particular other
5 than we are a little bit responding to inquiries, as Mr.
6 Bell said, from some of the small operators who do not
7 have tree farms. They are relying on Federal timber to cut.

8 CHAIRPERSON CORY: Do they get as a regular
9 course of events that calendar item?

10 MR. TROUT: Yes, they do. The Sierra Club gets
11 our calendars every month.

12 EXECUTIVE OFFICER NORTHROP: Friends of the Earth.
13 Not a full working calendar.

14 CHAIRPERSON CORY: But I mean do they get a
15 piece of paper that says 19, Report on Alternatives for
16 Management of timber resources on State school lands?

17 EXECUTIVE OFFICER NORTHROP: I don't think they
18 have the depth.

19 CHAIRPERSON CORY: I realize it's probably a
20 valid thing, but I'm saying for us to at this point adopt
21 it, I think we may be asking for trouble if they haven't
22 had a chance to come in and at least take their turn at bat.
23 We may decide against them, but I'm just wondering if
24 from that calendar item would they have perceived --

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, perhaps

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1 we could reschedule this calendar item in some detail at
2 a subsequent meeting, and at the time we will make sure
3 we have notified all of the agencies.

4 CHAIRPERSON CORY: I think we probably should
5 proceed with it this way, because not only do the contract
6 timber operators have the problem, but the State is going
7 to need nontax revenues.

8 MR. BELL: Not only that, if we have a bunch of
9 stuff that has gone past its prime time as far as
10 harvesting goes, we really ought to get it out.

11 CHAIRPERSON CORY: But it may not be past its
12 prime time for looking at.

13 (Laughter.)

14 EXECUTIVE OFFICER NORTHROP: On our previous
15 harvests, we have not had any problem, so I don't think
16 it presents a problem.

17 CHAIRPERSON CORY: I think we would be better off
18 if we go over and explain it so they understand rather
19 than them thinking we did something behind them.

20 EXECUTIVE OFFICER NORTHROP: Okay. We will
21 reschedule it for a subsequent meeting.

22 CHAIRPERSON CORY: I am sympathetic with the program.
23 Item 20, Auburn Investors. They want to put in
24 a 20-year lease for 1.32 acre parcel of submerged land at
25 Verona, Sutter County. Verona is where the Sacramento

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1 River and the Feather come in?

2 All right. Anybody in the audience on this item?
3 Questions from the Commissioners?

4 It's a standard lease?

5 EXECUTIVE OFFICER NORTHROP: Yes, Mr. Chairman.

6 CHAIRPERSON CORY: Without objection, Item 20
7 will be approved as presented.

8 Item 21, Vegetation Management.

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, the
10 1978 Legislative Chapter 881 asked all agencies that had
11 a vegetation program to submit a report to the State
12 Senate. This is that report.

13 CHAIRPERSON CORY: Any questions?

14 LIEUTENANT GOVERNOR CURB: No.

15 CHAIRPERSON CORY: What are we doing here?

16 EXECUTIVE OFFICER NORTHROP: We have a very, very
17 limited vegetation management program. I think jojoba
18 beans are about the biggest number we have got going.

19 (Laughter.)

20 EXECUTIVE OFFICER NORTHROP: The Chairman will
21 remember that the Executive Officer has learned how to
22 pronounce it even though it took awhile.

23 CHAIRPERSON CORY: You are doing something with
24 jojoba beans; right?

25 EXECUTIVE OFFICER NORTHROP: And we are doing

1 something with -- what else are we doing?

2 MR. TROUT: Well, we have done a number of things.

3 CHAIRPERSON CORY: I plead ignorance, right here
4 in public. What is vegetation management? Is it cutting
5 the grass?

6 (Laughter.)

7 MR. TROUT: Apparently, there was some concern
8 on the part of Senator Vuich or constituents of hers
9 regarding what the State is doing to maintain and
10 manipulate the various vegetative growths on various State
11 lands -- the forests, the grazing lands, the wildlife
12 habitats, and various kinds of things -- and apparently,
13 there was only one place that information was available.
14 So she got a bill through that required all State agencies
15 basically having land to report what they were doing in
16 this field. The major contributors, of course, would be
17 Parks and Recreation and Forestry and Fish and Game. The
18 Commission's role, rather than having an ongoing program,
19 has been to report the things we have done -- the jojoba
20 beans, the cooperation of the Governor's alternate
21 energy program which includes growing eucalyptus trees
22 for something called biomass conversion -- and I'm not
23 sure what that is. Also, the reforestation project. We
24 have listed the various things that the Commission has done --

25 CHAIRPERSON CORY: I can see why you kept the

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1 presentation originally simple.

2 (Laughter.)

3 CHAIRPERSON CORY: But back up on the item we
4 didn't take up, does that somehow relate to our vegetation
5 management? Are we changing our vegetation management
6 and we should report this to the Legislature that we are
7 going ahead with an aggressive marketing of timber?

8 MR. BELL: I asked the staff, and they felt that
9 timber was not a vegetative --

10 CHAIRPERSON CORY: I thought you said just a
11 moment ago -- you talked to a different staff.

12 EXECUTIVE OFFICER NORTROP: As a matter of fact,
13 it was the same staff person.

14 (Laughter.)

15 MR. TROUT: We do mention in the report to the
16 Legislature that there is the possibility that this could
17 be done. Not that the Commission has adopted a timber
18 harvest or a sustained yield program, but that it is a
19 possibility.

20 CHAIRPERSON CORY: I just wanted enough information
21 so that after I got up there to pass out the bean checks
22 or something, and these guys ask me, "Have we received
23 this report," they might have some real tough questions as
24 to what our vegetation management intentions really are.
25 I mean a lot of questions can come up.

1 (laughter.)

2 CHAIRPERSON CORY: Is there anybody in the
3 audience on vegetation management?

4 Without objection, we will transmit your report
5 and wait for their comments.

6 Moose. Item 22. Do you have anything --

7 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
8 is an approval of an oil and gas lease for the Beverly
9 Hills Unified School District. Statutorily, all leases
10 come before the Commission for full approval, and our
11 staff has reviewed it and found it consistent with current
12 oil leasing policies.

13 CHAIRPERSON CORY: Any questions from anybody
14 in the audience?

15 Anybody on the Commission?

16 Without objection, Item 22 is approved as presented
17 Item 23.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item
19 23 is an award of a royalty sales contract to USA Petroleum
20 Corporation. At the time the calendar item was prepared,
21 this was as a result of a bid of some 10 or 11 companies
22 that bid for approximately 300 barrels of oil that we had
23 issued in a sell-off that you had authorized previously.

24 Since that time, we have been negotiating with
25 USA Petroleum over \$1.4 million on back payment of previous

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1 royalty oil that USA had purchased and the payment was in
2 some doubt. They held that we did not have the right to
3 accept the money. The court ruled that if in fact we
4 didn't have that right, that that was one thing, but
5 Judge Gray asked us to go to DOE and ask the question of
6 whether we had the right to accept it or not. DOE said
7 we did. I think maybe Mr. Trout and Mr. Hight might want
8 to get into the legal ramifications of the suit.

9 But while we are recommending in the calendar
10 item that this be approved, we have since had a change of
11 heart. I talked to the President of USA Petroleum yesterday
12 on the phone and indicated that we felt before we awarded
13 any more bids, we should at least find out what he was
14 going to do with what he owed us for the previous moneys.

15 CHAIRPERSON CORY: Let me make sure I understand
16 this. It's awarding of bid, but everybody is in essence
17 bidding ceiling and they are determined by lot. It is
18 not as if we really have a monetary interest in the higher
19 bid. We have several choices of people we can take, and
20 the State will receive the same rate?

21 MR. HIGHT: That's correct.

22 EXECUTIVE OFFICER NORTHROP: There were 12 bidders
23 on that, all exactly the same price. So we drew lots.

24 CHAIRPERSON CORY: And it's a question of whether
25 we are going to allow somebody to participate when we have
got some other beef going --

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1 EXECUTIVE OFFICER NORTHROP: On almost the same
2 issue.

3 CHAIRPERSON CORY: Jan?

4 MR. STEVENS: That is basically it, Mr. Chairman.
5 We feel that in light of our outstanding litigation on
6 this, that by entering into this particular lease at this
7 time, it may complicate the problems we are having now.

8 CHAIRPERSON CORY: This other lawsuit?

9 MR. STEVENS: Yes. We do have a lawsuit, and
10 this may add to our problems in resolving that rather than
11 subtracting from them. Our recommendation would be that
12 you reject the bids and call for an additional set of bids.
13 The cost would be minimal to the State by a delay of one
14 or two months involved.

15 MR. BELL: I think if we do object, we should
16 object to the whole thing and go out and have everybody
17 come in again and bid.

18 MR. STEVENS: That's our recommendation.

19 CHAIRPERSON CORY: Do you have any questions?

20 LIEUTENANT GOVERNOR CURB: I don't have any at
21 this time. I will abstain.

22 CHAIRPERSON CORY: I will vote to do so, and it
23 will be a two to one vote to reject and go out to bid. Two
24 to nothing. Mike Curb abstained.

25 MR. BELL: I will go with that.

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CHAIRPERSON CORY: Without objection, Mr. Bell and Mr. Cory are voting to rebid it, and I would guess the Attorney General should look at whether or not we should in requesting the bids deal with the issue or we might end up with them bidding again and being drawn again. I think you ought to face that mechanically as to how to deal with that problem.

MR. STEVENS: This will make it easier for us to get in touch with them and try to resolve this thing.

CHAIRPERSON CORY: In the spirit of disclosure, I know a couple of the employees at USA Petroleum who are acquaintances and friends, and I am willing to vote against them in spite of that friendship.

Item 24. This is Proposed Sale of Royalty Oil, Santa Barbara County and Ventura County. This is just authorization for sale?

EXECUTIVE OFFICER NORTHROP: Authorization for sale.

CHAIRPERSON CORY: Anybody in the audience on these items?

Without objection, Item 24 will be approved as presented.

I think the staff, as they structure that, ought to deal with the same problem as we had in the last calendar item.

1 Item 25, Proposed Selection of Lands for
2 Geothermal Resources Lease of reserved mineral interest,
3 Sonoma County.

4 What are we doing here?

5 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
6 is a result of the legislation that was carried last year
7 in which the Commission now has the ability to declare an
8 area a known geothermal resource area and put it out for
9 bid based on the fact that the minerals are there rather
10 than the previous prospecting permit. This is one of
11 the first selection of geothermal lands under the bill
12 that was passed last year.

13 CHAIRPERSON CORY: Commissioners?
14 Anybody in the audience?

15 MR. BELL: This is basically for the encouragement
16 of geothermal?

17 EXECUTIVE OFFICER NORTHROP: Right. Yes, Mr. Bell,
18 in answer to your question.

19 CHAIRPERSON CORY: You need approval of this?

20 EXECUTIVE OFFICER NORTHROP: Yes.

21 CHAIRPERSON CORY: Without objection, the selection
22 will be approved as presented.

23 Item 26, Certification of Negative Declaration
24 for permit to prospect for geothermal resources, Inyo County.

25 Anybody in the audience on this item?

No impact?

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EXECUTIVE OFFICER NORTHROP: This is Certification of Negative Declaration in which we find no impact. It does not have any bearing on the actual lease that would come back at another time.

CHAIRPERSON CORY: Without objection, Item 26 is approved as presented.

Item 27, Certification of Negative Declaration, Borrow Permit to remove aggregate for highway maintenance, Lassen County.

Anybody in the audience on this one?

Without objection, this item is approved as presented.

Item 28, Negative Declaration for Prospecting Permit by Vinnell Mining and Mineral Corporation, San Bernardino County.

Anybody in the audience on this item?

Any questions from Commissioners?

Without objection, the Negative Dec is certified.

Item 29, Negative Declaration for Kaiser Steel in Riverside County.

Anyone in the audience on this one?

Without objection, Item 29 is approved as presented.

Item 30.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is

1 a fiscal review that you have attached to it. It's on the
2 revenue and production of Parcel A in Long Beach.

3 CHAIRPERSON CORY: In essence --

4 EXECUTIVE OFFICER NORTHROP: Mr. Thompson may
5 wish to carry on with some more information on this.

6 MR. THOMPSON: This is strictly information that
7 really affects revenue primarily because of the reduced
8 taxes under Proposition 13. There is an assessment interest
9 in which the contractor has to pay taxes, so with Prop 13
10 the State can --

11 CHAIRPERSON CORY: This is the upside of 13 for
12 us. Mr. Jarvis. Mr. Gann.

13 Anybody in the audience on this item?

14 Okay. Item 31, Fourth Modification of the '78-79
15 Plan of Development.

16 MR. THOMPSON: What we would like to have you do
17 here is ratify the Exec Officer's action in adding a
18 well to the 230 zone and redrilling some water injection
19 wells and transferring funds. No augmentation of the budget
20 involved.

21 CHAIRPERSON CORY: Any questions from Commissioners?
22 Without objection, the item is approved.
23 Item 32, Fifth Modification.

24 MR. THOMPSON: What we are doing here is merely
25 reporting back a little progress on what has happened. When

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1 we initially made these estimates, we were in a quandary
2 as to what was going to happen on pricing and what was
3 going to happen on taxes. This reflects that we are at
4 the upper range of our revenue estimates on the growth side,
5 primarily because we have gotten small monthly increases
6 on our crude oil prices. We are running about 15 cents
7 below ceiling now. That particular difference is made up
8 by an extra amount we got back from Prop 13, and the
9 impact here to the State is about \$11 million.

10 CHAIRPERSON CORY: Eleven million up?

11 MR. BELL: For '78?

12 MR. THOMPSON: Yes. And should continue in the
13 future, although they will probably go into another method
14 of doing it similar to the addition-to-a-house concept.
15 If we repair wells or drill new wells, in effect, we are
16 adding to the asset. So we do this on the basis of ultimate
17 recovery of reserves. If you added to your ultimate
18 recovery, they will tax those. We are back in the same
19 situation of the pricing thing, if they try to determine
20 if that oil would be at world price, whereas under price
21 control, which is the same issue we are appealing from
22 last year's deal. That hearing will come up in April.

23 MR. BELL: Is the price still \$24 today or has
24 that gone up?

25 MR. THOMPSON: Well, this is spot price. Occi

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Petroleum was notified by Libya, I guess today, that they are adding five percent. Quatar and Obu Dhabai have already gone seven percent. This is in addition to the five percent that went into effect January 1st. Also the OPEC countries are supposed to meet in March sometime, and the rumors are ten percent. They will probably use a pinch technique and just keep adding until something gives.

I believe I have already talked to several of you and told you that our revenue for Long Beach will go up for this year and next year from \$63 million this year to 71, and from 56 to 70. This primarily is the Prop 13 and the crude oil pricing.

CHAIRPERSON CORY: You need approval of the Fifth Modification?

EXECUTIVE OFFICER NORTHROP: Yes, we do, Mr. Chairman.

CHAIRPERSON CORY: Without objection, it will be approved as presented.

Item 33, Change in Boundary Line Agreement between the State and Parkwood 101. I am very suspicious of anybody who has a name like that.

MR. HIGHT: Mr. Chairman, the Commission, about three months ago, approved this exchange agreement. At the time, the title company had issued us a preliminary

1 title policy. Upon issuance of the final policy, it was
2 determined that a small acreage existed that the Parkwood
3 people did not own fee title to in the minerals, and this
4 is asking to accept the value with the reservation that
5 the State does not own a small portion of the mineral
6 that was in the area.

7 CHAIRPERSON CORY: Any questions from Commissioners?
8 Without objection, 33 will be approved as
9 presented.

10 Item 34, Authorization for Staff Counsel and/or
11 the Attorney General to Take Whatever Steps are Necessary,
12 Including Litigation, to Recover for Past and Prospective
13 Damage to the Waterfront Park Levee due to wave erosion
14 caused by ferry boats of the Golden Gate Bridge Highway
15 and Transportation District, San Francisco County

16 MR. HIGHT: This is Larkspur, yes.

17 The staff has approached the Ferry District and
18 filed a claim which has been rejected, and that leaves our
19 only alternative as litigation. It is hopeful that litigation
20 will persuade the insurance company to pay off.

21 CHAIRPERSON CORY: Anybody in the audience on
22 this item?

23 Without objection, full approval is granted.

24 Item 35, City of Stockton, request for approval
25 of the map and legal description of proposed annexation to

1 the Stockton City limits, San Joaquin County.

2 Anybody in the audience on this item?

3 Without objection, 35 will be approved as
4 presented.

5 Item 36. The Executive Officer wants a delegation
6 of authority to refund up to a thousand dollars in
7 mistakenly collected funds to his Aunt Matilda.

8 (Laughter.)

9 CHAIRPERSON CORY: That was a joke.

10 This is to allow for people who filed fees
11 incorrectly or you want to unwind a deal?

12 EXECUTIVE OFFICER NORTHROP: We want to unwind
13 a deal or we collect fees -- and it usually runs 100, 200,
14 \$300, somewhere in that area. They may want to file and
15 just change their mind, or we may have over-collected.
16 At the present time, it's a very, very complicated
17 bureaucratic procedure that they must go through, including
18 the Board of Control, exhausting their administrative
19 remedy. Some of these things should be handled very easily.
20 It shouldn't be something that we have to go through all
21 this.

22 CHAIRPERSON CORY: Jan, Bob, are we okay in terms
23 of the law on this?

24 MR. HIGHT: Yes. The Commission has a statute
25 authorizing this, and this is in furtherance of this statute.

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1 MR. BELL: Mr. Northrop, if you authorize claims
2 of up to \$1,000, does anyone review it from that point on?

3 EXECUTIVE OFFICER NORTHROP: It goes through
4 the Board of Control, but it is my understanding of the
5 Board of Control that we enact this, action is almost
6 proforma. It well may be, Mr. Bell, that you would
7 like to have these things as a calendar item -- just as
8 an advisory calendar item.

9 MR. BELL: Well, the purpose of this is to save
10 time for the small guy that just has 20 bucks to 200 bucks
11 at stake, and I hate to have him have to wait a month
12 until they come up.

13 CHAIRPERSON CORY: What about going ahead and
14 allowing it, and having it reported after you have done it.
15 Let the folks have their money, but you put it on the
16 Consent Calendar of who you give the money to, and if we
17 find your Aunt Matilda's name --

18 (Laughter.)

19 EXECUTIVE OFFICER NORTHROP: I think that is
20 reasonable.

21 CHAIRPERSON CORY: Okay. It will be approved with
22 that amendment. The delegation is granted, but will be
23 reported at the subsequent meeting and put on the Consent
24 Calendar. That way the public and everybody can keep track
25 of it.

1 Item 37, Disclaimer of Interest in Merrill
2 versus Kasich, Amador Superior Court docket.

3 MR. HIGHT: Yes, Mr. Chairman. This is a quiet
4 title action between two private parties in which the
5 State has no interest.

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

8 Without objection, authorization is granted.
9 The next Commission meeting is to take place
10 March 28th.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that
12 should -- that is correct. March 28th.

13 CHAIRPERSON CORY: I've learned how to read since
14 the last meeting, Bill.

15 (Laughter.)

16 EXECUTIVE OFFICER NORTHROP: Mine says 29.

17 (Laughter.)

18 CHAIRPERSON CORY: March 28th in Sacramento
19 at 10:00 a.m.

20 Any other items to come before us?

21 Without objection, we stand adjourned. Thank you.

22 (Thereupon the State Lands Commission Meeting
23 was adjourned at 10:45 a.m.)
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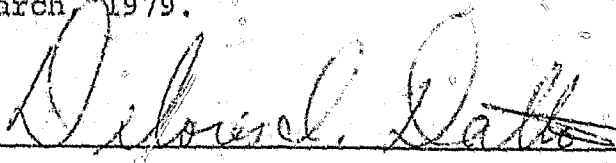
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I, DELORES I. DALTON, a Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, DELORES I. DALTON, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of March, 1979.



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SHORTHAND REPORTER

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