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MEETING
STATE LANDS COMMISSION

Agenda Items 16
and 17

EXCERPT

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, MARCH 28, 1979
10:20 A.M.

Paul D. Ramshaw
C.S.R. License No. 3434

MEMBERS PRESENT

1
2 Mr. Carl D'Agostino, representing Kenneth Cory,
State Controller, Chairperson

3 Mr. Roy M. Bell, representing Mr. Richard D. Silberman,
4 Director of Finance

5 Mr. David Ackerman, representing Mr. Mike Curb,
Lieutenant Governor

6
7 MEMBERS ABSENT

8 None

9
10 STAFF PRESENT

11 Mr. William Northrop, Executive Officer

12 Mr. R. S. Golden

13 Mr. Robert C. Right

14 Mr. James Trout

15 Mr. W. M. Thompson

16 Mr. Donald J. Everitts

17 Ms. Diane Jones

18 ALSO PRESENT

19 Mr. Jan Stevens, Assistant Attorney General

20 Mr. Lester Grimes

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1 ACTING CHAIRPERSON D'AGOSTINO: Item 16.

2 MR. NORTHROP: Mr. Chairman, item 16 is the result
3 -- and I would like at this time, if it please the
4 commission, to commend Les Grimes and Lew Allen and Peter
5 Graber from the Attorney General's office for putting
6 together the settlement that you see on the wall to your
7 right in response to litigation that has gone on since 1970
8 -- or is it 1968?

9 The settlement you see there has been proposed
10 and accepted not only by the individual property owners
11 concerned, but by the City Council of Eureka, and has
12 received generally very favorable response in Eureka to
13 solving a Gordian-knot-type problem in that area.

14 MR. STEVENS: Mr. Chairman, I'd like to join in
15 that for the Attorney General, if I may. I believe the
16 commission's position and that of the Legislature in
17 supporting it and in providing the adequate support for this
18 litigation is what led to its successful completion, with
19 the invaluable work that particularly Mr. Grimes and
20 Mr. Allen have given. We would still be enmeshed in this
21 litigation if this support had not been forthcoming. We
22 appreciate it, and we see the daylight ahead of us, and we
23 are delighted with the progress of the litigation.

24 MR. BELL: Mr. Chairman.

25 Mr. Northrop, does this in effect, hopefully,

1 clear up approximately one-half of the litigation on this?

2 MR. NORTHROP: I think it really sets up maybe
3 even a little more than one-half because of the fact that
4 we now have a precedent established that we can move on this
5 thing. So this does clear up half of it, Mr. Bell.

6 MR. BELL: In the meantime do you think that
7 litigation will continue to proceed, or will this hopefully
8 postpone litigation while we attempt to solve the rest of
9 the matter?

10 MR. GRIMES: May I respond to that?

11 MR. NORTHROP: Yes.

12 MR. GRIMES: I just got word last night that all
13 parties -- we have been working along with this settlement.
14 We have been working with other private parties and the
15 affected title companies in the area. I just received word
16 last night that everybody involved in the remaining
17 litigation is going to ask the judge to delay his ruling on
18 this second phase of the trial, which would probably just
19 mean that it would go to another phase. So it looks like we
20 do have, hopefully, a settlement that would clear the whole
21 thing up that we could bring back to the commission within
22 a fairly short time.

23 MR. BELL: That's very good news.

24 MR. GRIMES: There is another small late
25 development in the thing. I just got the final map off of

3

1 the airplane this morning from Eureka. The city engineers,
2 for reasons of convenience, have elected to divide parcel
3 14 into two parcels, making it parcel 14 and parcel 16. It
4 is the green parcel here (indicating). It has no bearing
5 on the transaction or settlement, but every place that
6 "parcel 14" appears in the calendar item, the minute item,
7 and the agreement, it should be changed to read "parcels 14
8 and 16".

9 MR. ACKERMAN: Bill, does the hopeful end of
10 litigation then on the other parcels pave the way for other
11 state agencies who may be awaiting final resolution of the
12 waterfront question to go ahead with purchases, such as the
13 Department of Parks and Fish and Game? Will they be able
14 to speed up some of their projects?

15 MR. GRIMES: Yes. If you noticed Daby Island up
16 there, we've had a call from Fish and Game already inquiring
17 as to the possibility of using that land for some kind of
18 Fish and Game purpose. I've advised them they have to first
19 work it out with the city, because it is granted lands.

20 The big thing that this settlement will do,
21 particularly if we settle the whole thing, is it will speed
22 up the City of Eureka's waterfront master plan, which has
23 been approved by the city and various regional and local
24 agencies but has been virtually stymied because of all the
25 property involved in this litigation.

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MR. NORTHROP: It's obvious the clear benefactor on this is the City of Eureka.

MR. ACKERMAN: There is no other state agency involved in any independent litigation?

MR. GRIMES: No, not in this immediate area. The remainder of the area up there is granted to the Humboldt Bay Harbor and Recreation Commission, and they of course have a number of suits going on.

ACTING CHAIRPERSON D'AGOSTINO: I think the Lands Commission staff and particularly Mr. Grimes and Mr. Allen are to be commended for putting together a settlement which appears to be equitable to all parties. Without this settlement I think the litigation costs could have amounted to more than the total cost of the land involved.

We need a motion on item 16.

MR. BELL: I would like to move approval of item 16.

ACTING CHAIRPERSON D'AGOSTINO: Without objection, item 16 will stand approved.

Item 17.

MR. NORTHROP: Mr. Chairman, this is a settlement lifting the public trust for a fee on a parcel also in the City of Eureka.

MR. BELL: This is primarily to clear title, is it not?

1 MR. NORTHROP: Yes. An old slough went through a
2 corner of the parcel, and in order to get title insurance
3 that was meaningful the parties are paying to the state the
4 value the staff estimates we have in that property.

5 (ACTING CHAIRPERSON D'AGOSTINO: This will give
6 them clear title.

7 MR. NORTHROP: It will not give them exactly clear
8 title, but the encumbrance on the title will be such that
9 the title company will insure it.

10 ACTING CHAIRPERSON D'AGOSTINO: Without objection,
11 it is approved.

12 (Thereupon the commission went on
13 to the consideration of other
14 agenda items.)

15 ---o0o---

CERTIFICATE OF SHORTHAND REPORTER

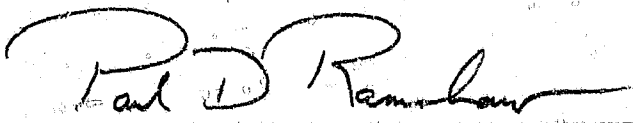
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I, PAUL D. RAMSHAW, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing meeting of the State Lands Commission was reported in shorthand by me, Paul D. Ramshaw, 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 2nd day of April, 1979.



PAUL D. RAMSHAW
Certified Shorthand Reporter
C.S.R. License No. 3434

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MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, MARCH 28, 1979
10:20 A.M.

Paul D. Ramshaw
C.S.R. License No. 3434

MEMBERS PRESENT

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2 Mr. Carl D'Agostino, Representing Kenneth Cory,
State Controller, Chairperson

3 Mr. Roy M. Bell, Representing Mr. Richard T. Silberman,
4 Director of Finance

5 Mr. David Ackerman, Representing Mr. Mike Curb,
6 Lieutenant Governor

STAFF PRESENT

7 Mr. William Northrop, Executive Officer

8 Mr. R. S. Golden

9 Mr. Robert C. Hight

10 Mr. James Trout

11 Mr. W. N. Thompson

12 Mr. Donald J. Everitts

13 Mr. Leslie Grimes

14 Ms. Diane Jones

ALSO PRESENT

15
16 Mr. Jan Stevens, Assistant Attorney General
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ACTING CHAIRPERSON D'AGOSTINO: I call the meeting of the State Lands Commission to order. The first item is confirmation of the minutes of the February 22nd meeting.

MR. BELL: No objection.

ACTING CHAIRPERSON D'AGOSTINO: Without objection the minutes will stand approved.

The second item is the report of the executive officer.

Mr. Northrop.

MR. NORTHROP: Mr. Chairman, before we get into that item, counsel for the commission has a statement he'd like to read into the record.

MR. HIGHT: Mr. Chairman, Dave Ackerman is representing the Lieutenant Governor today and is acting in a nonvoting capacity and will participate in the discussions but not vote.

MR. NORTHROP: Thank you.

Mr. Chairman and members, the report this morning is divided into several sections, all of which are informative.

On March 21st, we had 19 bidders to buy a sell-off portion of oil that was offered to lease. We have

1 notified the lessees of their 15 days to either match the
2 bid -- should they not match the bid and the commission
3 approve, Lunday-Thagard appears to be the successful bidder.
4 We are still studying his bid package, but at this time it
5 looks favorable.

6 Mr. Chairman and members, your commission has an
7 ad hoc committee to study oil seeps in the Santa Barbara
8 area, and the chairman of that committee for the commission
9 is Don Everitts. The ad hoc committee has had several
10 meetings, and I would like Mr. Everitts at this time, if it
11 please the commission, to report on the progress of those
12 ad hoc committee meetings.

13 MR. EVERITTS: The group was approved by the
14 commission at their November 1978 meeting, and originally
15 was going to consist of representatives from the state and
16 Santa Barbara County and the industry. As the nominal
17 chairman of the group and because a lot of the seep problems
18 are on the OCS, I have also added one member from the USGS
19 to the group.

20 We were directed by the commission to update
21 existing seep data and explore the possibility of remedial
22 actions that are technically and economically feasible and
23 which could be recommended to the commission for
24 implementation. In addition, the primary purpose or charge
25 was to locate sources of funds to do this sort of work.

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1 On first consideration the seep problem would
2 probably appear to be more of a nuisance value. Oil on the
3 beach bothers folks. But it is really a matter of serious
4 concern as far as air quality.

5 For example, one major seep east of Platform Holly,
6 which is the one I inspected by mini-sub several years ago,
7 has been estimated to produce about 80 barrels per day of
8 oil and about 800 mcf per day of gas. Another estimate on
9 that same seep expresses it in terms of emissions of six
10 tons per day. When you consider that the total emissions
11 for Santa Barbara County are 42 tons per day, if we can
12 control that six tons it's really a significant contribu-
13 tion to the air quality problem in the area.

14 There are other seeps probably almost as large, so
15 as a first step the group proposes to survey and record on
16 video tape the major seeps, particularly as they relate to
17 abandoned core holes. Our first order-of-magnitude cost
18 estimate for that phase is around \$300,000.

19 In the real short term, in the next week or two,
20 Arco Oil and Gas Company has agreed, as an adjunct to their
21 annual pipeline and platform survey, to survey a large seep
22 off Coal Oil Point and the seep near Holly. Exact
23 measurements will be made of that seep in order to
24 facilitate phase two of the program.

25 That step or that phase will be to design a

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1 collection device for the seep. A concept has been
2 developed and preliminary design work has begun.
3 Construction of that phase will cost somewhere between
4 \$400,000 and \$500,000.

5 Various funding sources are being considered, and
6 applications will be submitted soon for money. Those
7 possible sources are the EPA, who is quite interested in
8 air quality; the Department of Commerce; the California Air
9 Resources Board, which is quite interested in this -- we
10 discussed it with them; and there's a possibility of coastal
11 grants. The Department of Interior suggested they might
12 have some money, which is one reason we brought them in.
13 Maybe we can get some Sea Grant money. One final
14 possibility would be special legislation. County of Santa
15 Barbara staff has indicated they would probably support
16 that concept and might take this to the board of supervisors.

17 ACTING CHAIRPERSON D'AGOSTINO: Are these all the
18 result of old holes, or are some of them natural?

19 MR. EVERITTS: I personally think they're mostly
20 natural. We are aware of at least one well that's leaking
21 -- two wells that are leaking. When I inspected the seep,
22 there were a number of core holes in that area, and we
23 looked at each one of them, and each one of them was not
24 leaking -- at least at that point.

25 We have determined that there are probably as many

1 as 48 core holes within a 200-foot radius of some active
2 seeps that have been mapped -- that is, on the surface
3 mapping. So this is one of the things we are going to do,
4 is go out and actually survey those 48 core holes that might
5 be leaking. Of course if they are, we may have some recourse
6 back to those who drilled them.

7 MR. NORTHROP: Mr. Chairman, I believe that
8 completes Mr. Everitts' report. At this time Mr. Trout
9 would like to share with the commission the California and
10 Hawaiian Sugar Company problem.

11 MR. TROUT: Mr. Chairman, we just want to briefly
12 tell you what happened. The California and Hawaiian Sugar
13 Company has been given advance approval by the staff to
14 allow the Crockett-Valona Sanitary District to discharge its
15 domestic flows into the sugar company's waste treatment
16 plant at Crockett.

17 The plant is on commission property, and C&H has
18 a lease from the commission for this facility. Connection
19 by the sanitary district was contemplated from the start of
20 the project.

21 At present, the sanitary district discharges
22 unacceptable wastes into Carquinez Strait. This can be
23 avoided by a prompt connection (early next week) by the
24 district to the C&H facilities. Staff granted this letter
25 -- I did -- last week so that this connection could be made

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1 and avoid the continual discharge of these other wastes.

2 Pending approval of the sublease, which will be
3 presented at a future commission meeting, C&H remains liable
4 for all provisions of the lease, including full payment of
5 rent. We may adjust the rental at the time of the sublease,
6 but at the present time C&H remains liable.

7 MR. BELL: Mr. Chairman.

8 Does the problem get solved by the April 2nd
9 connection with the district?

10 MR. TROUT: Yes, that will solve the problem. The
11 waste treatment plant is in full operation by C&H. That
12 will solve the problem.

13 Technically, the lease to C&H prohibits a sublease
14 without commission approval. However, from the staff's
15 standpoint it just didn't seem wise to delay until April
16 26th.

17 MR. BELL: Right.

18 MR. NORTHROP: Mr. Chairman, the next report will
19 be given by Mr. Golden concerning BCDC and Coastal
20 Commission.

21 MR. GOLDEN: Mr. Chairman and members of the
22 commission, two items are submitted for your information
23 relating to State Lands Commission interface with the State
24 Coastal Commission and the San Francisco Bay Conservation
25 and Development Commission.

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1 The first has to do with marine sanctuaries. On
2 March 6, 1979, the State Coastal Commission held a hearing
3 on three proposed marine sanctuary sites and alternates
4 presented in the National Oceanic and Atmospheric
5 Administration's December 1978 "Issue Paper on Possible
6 California Marine Sanctuary Sites".

7 The hearing addressed the merits of advising
8 NOAA to proceed with a designation process for the proposed
9 marine sanctuaries off shore at Point Reyes-Farallon,
10 Monterey Bay, and the Santa Barbara Channel Islands.

11 The commission heard extensive testimony from
12 environmental groups supporting the designations and from
13 representatives of the commercial fishing, kelp-harvesting,
14 and petroleum industries generally opposing designation.
15 Those supporting the designations see the marine sanctuary
16 designations as a vehicle to stop OCS development.

17 At the close of its March 6th hearing, the Coastal
18 Commission voted to advise NOAA to proceed with the
19 designation process for the proposed Santa Barbara Channel
20 Islands marine sanctuary by preparing a draft environmental
21 impact statement. Immediate action by the commission was
22 urged by staff prior to the Secretary of the Interior's
23 decision on OCS Lease Sale 48.

24 At the same meeting, the Coastal Commission also
25 voted to consider advising NOAA to proceed with the

1 designation of the proposed Point Reyes-Farallon Islands
 2 and Monterey Bay marine sanctuaries at their April 3rd and
 3 4th meeting. The coastal staff's preliminary recommendation
 4 is to advise NOAA to proceed with these two additional
 5 marine sanctuaries, while further advising NOAA to avoid
 6 interference with the authority of the State of California
 7 in management and regulation of the living marine resources
 8 within the state's territorial waters unless such action is
 9 requested by the Resources Agency, and to avoid duplication
 10 of the jurisdiction of the Pacific Fishery Management
 11 Council within the proposed boundaries of the sanctuaries.

12 The second item has to do with the Anza-Pacific
 13 development on San Francisco Bay. In 1972 the State Lands
 14 Commission executed a boundary line agreement with Anza-
 15 Pacific Corporation. The boundary line agreement involved
 16 13 parcels in Burlingame. All but one of these front on
 17 San Francisco Bay. The boundary line agreement involved
 18 tide lands filled by Anza-Pacific prior to the creation of
 19 BCDC.

20 Since this boundary line agreement, the ownership
 21 of the Anza-Pacific Corporation has changed. In part, the
 22 company was transformed from a development company to the
 23 Anza-Shareholders' Liquidating Trust. In addition, Anza's
 24 current development plans are substantially different from
 25 the Anza-Pacific plan approved as a part of the 1972

1 boundary line agreement.

2 Therefore, the BCDC has asserted jurisdiction
3 over its 100-foot shoreline band owned by the Anza Trust
4 and has requested the company to submit a master development
5 plan for its parcels, with particular emphasis on the
6 provisions for maximum feasible public access within the
7 100-foot shoreline band. At this point we are inserting
8 language in our sublease approvals which has been suggested
9 to us by BCDC and are looking toward resolution of the
10 remaining problems.

11 That completes my report.

12 MR. NORTHROP: Mr. Chairman, that completes the
13 report of the executive officer. Thank you.

14 MR. BELL: Mr. Golden, on the Anza-Pacific plan,
15 had they not gone into the liquidating trust and had they
16 proceeded with their development as originally planned, they
17 could have probably had a much more heavy development and
18 adverse position on the bay. Isn't that right?

19 MR. GOLDEN: That's very possible. That would
20 have predated --

21 MR. BELL: Yes.

22 MR. NORTHROP: Mr. Chairman, as we approach the
23 calendar, I would like to request the commission, as a
24 courtesy to the executive officer, to take item C-15 and
25 put it on the regular calendar. Also, item 21 is off

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1 calendar.

2 ACTING CHAIRPERSON D'AGOSTINO: Those are the
3 changes on the consent calendar?

4 MR. NORTHROP: Yes, sir.

5 ACTING CHAIRPERSON D'AGOSTINO: Are there any
6 objections or comments on the consent calendar from anyone
7 in the audience?

8 Hearing none, could we have a motion on the
9 consent calendar, with item 15 removed to the regular
10 calendar.

11 MR. BELL: I move that items C-1 through C-14 on
12 the consent calendar be approved.

13 ACTING CHAIRPERSON D'AGOSTINO: Hearing no
14 objection, it stands approved.

15 Moving on then to the regular calendar, shall we
16 take 15 as the first item?

17 MR. NORTHROP: That's fine, Mr. Chairman. Item
18 15 is an item that was on the consent calendar, but I
19 believe that because of the fact that it authorizes the
20 executive officer to enter into a contract it should be
21 handled singularly. It concerns a contract with David Rosen
22 to prepare an EIR for a marine petroleum facility in Contra
23 Costa County. The costs of the EIR, including Mr. Rosen's
24 fees, have been included in the price to Wickland Oil, who
25 is the lessee, and staff finds it a reasonable request.

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1 ACTING CHAIRPERSON D'AGOSTINO: I don't see any
2 problem. Without objection, we will authorize the executive
3 officer to enter into that contract.

4 (Thereupon the commission considered
5 agenda items 16 and 17, and that portion
6 of the meeting has been previously
7 transcribed and is bound separately.
8 Following those items, the commission
9 meeting proceeded as follows:)

10 ACTING CHAIRPERSON D'AGOSTINO: Item 18.

11 MR. NORTHROP: Mr. Chairman and members, item 18
12 is also -- we have two really outstanding items on the
13 agenda today: the one that was just handled with Mr. Grimes,
14 and this is the Shell Beta project. This project involves
15 an environmental document and a lease for Shell Oil Company
16 for a right of way coming in from an OCS lease, an outer-
17 continental shelf lease.

18 The documents were put together by the federal,
19 state, and local, and the operation of this is well within
20 the time mandated by the Legislature in last year's AB 884.
21 It is a credit to some of the people on our environmental
22 staff, and particularly Mr. Sanders, who heads that unit,
23 and cooperation from the City of Long Beach and from federal
24 government in preparing this document.

25 Many of the critics of environmental document

1 preparation in these kinds of leases have held --
2 particularly we have read in the press in recent times where
3 there have been companies that have accused state
4 agencies and other governmental agencies of footdragging.
5 I think this has been an example to all companies on this
6 kind of operation.

7 If you have any questions on it, there are
8 representatives from Shell Oil Company and from the
9 environmental unit who will be happy to respond to them.

10 MR. BELL: Mr. Chairman,

11 Mr. Northrop, it's my understanding that if
12 conflicting legislation dealing with volumetric measurement
13 might go against us, this would be subject to renegotiation
14 with Shell Oil.

15 MR. NORTHROP: That's my understanding.

16 MR. BELL: They run no great risk of us saying
17 no. It would just be a different type of --

18 MR. NORTHROP: That's right. However, for the
19 information of the commission perhaps the Attorney General
20 would like to report on the results of that litigation.

21 MR. STEVENS: "So far so good" is the nutshell
22 report on that litigation, Mr. Bell and members. We have
23 succeeded in a motion for summary judgment, which raised the
24 legal issue very squarely, and we expect a concerted effort
25 to get appellate review of that subject within the next few

1 weeks.

2 ACTING CHAIRPERSON D'AGOSTINO: Are there any
3 comments from Shell or anyone else in the audience?

4 MR. BELL: Mr. Chairman, I think it's significant
5 enough to move the item.

6 ACTING CHAIRPERSON D'AGOSTINO: The item is moved.
7 Without objection, it will stand approved.

8 Item 19.

9 MR. NORTHROP: Mr. Chairman, item 19 is a lease by
10 Union Oil Company of a parcel of property for submerged land
11 in Huntington Beach.

12 MR. BELL: This is just a renewal?

13 MR. NORTHROP: Yes, sir.

14 ACTING CHAIRPERSON D'AGOSTINO: Without objection,
15 item 19 will stand approved.

16 Item 20.

17 MR. NORTHROP: Item 20, like 19, is an amendment
18 and a renewal of a new lease for a pipeline in Santa
19 Barbara County.

20 ACTING CHAIRPERSON D'AGOSTINO: Without
21 objection --

22 Item 21 is off calendar.

23 Item 22.

24 MR. NORTHROP: Mr. Chairman, last year or the year
25 before last, I believe, Senator Nejedly carried a bill which

1 mandated a change in our leasing policy and rentals. That
2 bill also requested that consideration be given to home-
3 owners and other nonprofit organizations for rent-free
4 recreational piers.

5 This authorizes the addition of those categories
6 to our rent-free recreational piers.

7 MR. BELL: This basically adds condos and co-ops?

8 MR. NORTHROP: Right.

9 MR. ACKERMAN: Does that add just the association,
10 or can individuals who own units in co-ops get approved?

11 MR. NORTHROP: As I understand it, it is for the
12 co-op organization only, and not for individual owners. They
13 have to go through the co-op.

14 ACTING CHAIRPERSON D'AGOSTINO: Can an individual
15 form a nonprofit organization?

16 MR. NORTHROP: I'd refer that to our attorney.

17 MR. HIGHT: I would assume so, Mr. Chairman. I
18 don't know the exact answer, but my opinion right now is
19 yes.

20 ACTING CHAIRPERSON D'AGOSTINO: This would seem
21 to be a fairly significant loophole, then, in the state's
22 ability to get equitable rent for its water frontage.

23 MR. HIGHT: Yes, Mr. Chairman. The bill gutted
24 the state's rental rates significantly.

25 MR. ACKERMAN: All approvals of piers and things

1 still have to come before the commission, whether it's an
2 individual or a co-op or an association.

3 MR. NORTHROP: Right. The approval was not denied
4 the commission. What the commission was questioned about
5 was the rental charges.

6 I think that's a legal question, so I'll let Bob
7 answer it.

8 MR. HIGHT: The commission would have the
9 authority to either approve or deny the lease depending upon
10 the particular circumstances and the environmental
11 considerations involved in the particular lease. They would
12 not have the ability in certain cases to charge different
13 rental rates.

14 ACTING CHAIRPERSON D'AGOSTINO: But if the
15 individual came in and got a pier permit and then after
16 that formed a nonprofit organization -- once we've granted
17 the pier permit, if he then forms a nonprofit organization
18 can't he then come in and ask that his rental be waived?

19 MR. HIGHT: The problem with that, Mr. Chairman,
20 is that in the first place he may have met the specifica-
21 tions for a rent-free permit, and in the second the
22 commission would have to authorize the assignment.

23 ACTING CHAIRPERSON D'AGOSTINO: Any comments on
24 item 22?

25 Hearing no objection, item 22 will stand approved.

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1 Item 23.

2 MR. NORTHROP: Mr. Chairman, item 23 is a book-
3 keeping procedure. When we negotiated the lease with
4 Chevron USA, we negotiated at mid-month. What we're asking
5 here is to allow us to have a four-and-a-half-month quarter,
6 so we can get everything back on an even quarter basis.

7 ACTING CHAIRPERSON D'AGOSTINO: This is just
8 bookkeeping?

9 MR. BELL: This is preferred by Chevron USA, too,
10 right?

11 MR. NORTHROP: Right. It also makes our book-
12 keeping a little more tidy.

13 MR. BELL: So it's okay for both sides.

14 ACTING CHAIRPERSON D'AGOSTINO: Hearing no
15 objection, we will accept a four-and-a-half-month quarter.

16 Item 24.

17 MR. NORTHROP: Mr. Chairman, item 24 is a
18 substantial compliance with the City of Oakland for their
19 grant. The staff has looked at what Oakland has done to
20 their harbor and feels that yea, verily, they have had
21 substantial compliance to their grant.

22 ACTING CHAIRPERSON D'AGOSTINO: Without
23 objection --

24 Item 25.

25 MR. NORTHROP: Mr. Chairman and members, item 25

1 is a reduction in bond. When the applicants applied for the
2 commercial marina lease permit, they felt at that time that
3 they would be handling substantially more valuable vessels
4 and we required them to have a \$300,000 liability bond in
5 favor of the state. However, it now is obvious that that
6 is not going to be the case, so they've asked to have their
7 bond limitation reduced from \$300,000 to \$100,000. Staff
8 has reviewed it and feels that that bond would amply cover
9 the state.

10 ACTING CHAIRPERSON D'AGOSTINO: Any comment?

11 MR. BELL: Mr. Northrop, is the facility itself
12 of such a nature that it cannot be expanded to handle a
13 number of commercial fishing boats, or is this something
14 where the guy just says, "Well, I'm only going to have one
15 boat"?

16 MR. NORTHROP: Mr. Trout is familiar with that
17 issue, so I will defer to him.

18 MR. TROUT: The facility could handle a number of
19 commercial vessels. The situation is kind of in limbo in
20 Tomales Bay right now pending the local coastal plan. The
21 state, the county, and the Coastal Commission have been
22 working on that, and it just turned out that, at least for
23 a reasonable period of time, the guy that now has the pier
24 will just be using it himself. This is just to accommodate
25 that.

1 If the use expands, we may be back to the
2 commission with a change. The rent would go up and the
3 insurance and bond requirements would go up.

4 MR. BELL: Okay. That's really why I asked the
5 question.

6 ACTING CHAIRPERSON D'AGOSTINO: How do we monitor
7 that?

8 MR. TROUT: There are several ways. An expanded
9 use would require the consent of the Corps of Engineers and
10 possibly other local governmental agencies. Also, we have
11 assigned our leasing agents on a geographic basis, and they
12 are responsible for keeping track and getting out in the
13 field and finding out what's going on in their area. So
14 we think there are numbers of ways. Occasionally we miss
15 something, but through contact with other governmental
16 agencies and our field agents, we usually pick them up.

17 ACTING CHAIRPERSON D'AGOSTINO: Without
18 objection --

19 Item 26.

20 MR. NORTHROP: Mr. Chairman, item 26 is a
21 temporary use permit for the Department of Fish and Game to
22 do away with a land bridge which allows predators to get to
23 a seagull nesting area. As the water level lowers, the
24 ability of nonswimming predators to get to the island
25 increases, so Fish and Game has asked to take necessary

1 steps to do away with the land bridge. The level of water
2 in that lake keeps dropping.

3 ACTING CHAIRPERSON D'AGOSTINO: So we are going
4 to tamper with the natural environment?

5 MR. NORTHROP: Right.

6 ACTING CHAIRPERSON D'AGOSTINO: Without
7 objection --

8 Item 27.

9 MR. NORTHROP: Mr. Chairman, item 27 is a
10 memorandum of understanding with the San Francisco Bay Water
11 Quality Board asking us to help them, using our expertise
12 in oil spill prevention, to assist them in a practices
13 program.

14 ACTING CHAIRPERSON D'AGOSTINO: Without
15 objection --

16 MR. ACKERMAN: When a memorandum of understanding
17 like this is entered into with another agency, is that a
18 state-funded budget position that does that or is it
19 reimbursed from the agency that undertakes the agreement?

20 MR. HIGHT: It's normally reimbursed from the
21 agency that undertakes the agreement.

22 ACTING CHAIRPERSON D'AGOSTINO: Item 28.

23 MR. HIGHT: Item 28, Mr. Chairman, is a federal
24 condemnation action in which this commission has no interest.
25 It is for an access road to some land in the Department of

1 Interior's realm.

2 MR. BELL: This just says that we don't have any
3 interest?

4 MR. HIGHT: Correct.

5 ACTING CHAIRPERSON D'AGOSTINO: Item 29 is in
6 essence the same?

7 MR. HIGHT: It's the same thing, Mr. Chairman.
8 It is a federal condemnation for the Tehama Colusa Canal,
9 and the commission has no interest in the area being
10 condemned.

11 ACTING CHAIRPERSON D'AGOSTINO: Without objection,
12 items 28 and 29 will stand approved.

13 Item 30.

14 MR. NORTHROP: Mr. Chairman, item 30 is a
15 micellar demonstration, and Mr. Thompson is the engineer-in-
16 chief in charge of that demonstration, and I'd like to have
17 him review with the commission what's happening on that.

18 MR. THOMPSON: I don't know about being chief in
19 charge of the operation, but I will report on it anyway.

20 This is a small ten-acre pilot deal. While small
21 in size, it could possibly have a large impact.

22 What we're trying to do is find a tertiary
23 recovery method where we can get more of the oil in place
24 there. Although it is only ten acres, it involves a
25 potential of many billions of barrels that we can possibly

1 recover.

2 The project is going along. The federal govern-
3 ment is sharing in it.

4 I would like to correct a couple of typos on the
5 second page. At the end of the first paragraph, we do not
6 produce "tractors" from our producing wells; we meant to
7 say "tracer" there. Also, in the second paragraph the word
8 "early" was to be removed before the word "1980".

9 Unfortunately, the way things are developing now, I'm not
10 too sure but what "1980" might not have to be removed also.

11 (Laughter.)

12 MR. THOMPSON: This is a catch-22 situation I will
13 describe to you. This particular process involves using a
14 refined hydrocarbon product. So here we're trying to
15 recover a low-value product at the present time with a high-
16 value product. To make this particular mix in this slug
17 we need about 150 barrels a day of diesel oil for a period
18 of about 100 days. At the present time we cannot get diesel
19 fuel. Diesel fuel is very short on the west coast. Because
20 we had a very, very cold winter, some commercial outfits
21 when they were cut off from gas could not get residual fuel
22 oil, so pretty soon they started burning distillate, and
23 they also even burned diesel in some cases. So the trucking
24 industry is having a problem.

25 Also, we are faced with allocation. We are even

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1 being allocated diesel fuel just for our normal lease
2 operations.

3 So right now this particular project, although it
4 is important and we need the lease, is more or less in
5 limbo because we cannot get this amount of diesel fuel. So
6 this is why I must hedge on even the 1980 date. This is
7 the catch-22 situation we find ourselves in in this energy
8 business.

9 ACTING CHAIRPERSON D'AGOSTINO: You need 150
10 barrels a day?

11 MR. THOMPSON: For about 100 days, or about
12 15,000 barrels of diesel. We're trying to find it, but
13 right now everything is kind of scrambled around because no
14 one knows how the allocation system is going to work. The
15 trucking industry is under tremendous pressure on this,
16 just as anyone else who uses fuel, and even the public is
17 facing the allocation problem.

18 MR. BELL: Mr. Chairman.

19 As I recall, this experiment is paid 50 percent
20 state and 50 percent federal.

21 MR. THOMPSON: Yes.

22 MR. BELL: We are using, in effect, a higher-cost
23 product in order to try and get tertiary recovery of what,
24 at least at this time, is a lower-priced oil.

25 MR. THOMPSON: Yes, although in this particular

1 project we were able to get exception from the federal
2 government and get uncontrolled price for this, which is
3 about \$11 for this oil.

4 MR. BELL: This is one of those fault blocks?

5 MR. THOMPSON: We actually went in and asked for
6 special exemption on this project, and got one.

7 MR. BELL: About how much more of an increase
8 would it take to make it profitable?

9 MR. THOMPSON: At the present rate of production
10 we're looking at, maybe, a 20-year payout with the
11 government paying half of it. Again, if we can get this
12 material in and get a satisfactory response, then maybe we
13 could cut it down to a 7-, 8-, 9-, 10-year payback.

14 But again, as we go along, the diesel we use on
15 this, although we're trying to use lease crude, as the price
16 of diesel goes up and the price of electricity goes up, this
17 is an endless, endless thing you get yourself into here. We
18 need energy to produce energy. It's kind of an endless
19 cycle.

20 But again, when you look at what the OPEC
21 countries are looking at, with the price increase and the
22 surcharge, Saudi Arabia right now is looking at about \$17
23 oil delivered to the United States. Libya, Nigeria, and the
24 others announced about a \$4 surcharge, which means about
25 \$21 oil delivered here. So it all depends on where you want

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1 to put your money and what you want to do.

2 We're trying here to see whether the project is
3 feasible from a reservoir recovery deal and also the
4 economics. We will try to find this amount of diesel. The
5 situation, of course, is not unique only to us, but every-
6 where. Mr. Carter could not find the solution to give in a
7 talk today and had to cancel his television address. When-
8 ever he gets his act together, maybe we'll find something on
9 it.

10 This is merely an informational item to you. It's
11 not very good information, but we are always hopeful.

12 The next item is a little better. The commission
13 has had a policy of plowing back or returning a reasonable
14 amount of any crude oil price increases we've gotten to
15 accelerated production. As part of that last year, you
16 approved an expenditure of about three and a half million
17 dollars for a drilling rig. This calender item we're asking for
18 approval here is to transfer \$170,000 to finish that
19 particular purchase. It's coming from drilling funds we
20 weren't able to use because we weren't able to get a
21 drilling rig in time last year to use all the funds, and
22 this is why we're buying this rig.

23 This rig is a little unique. We have it on
24 rubber-tired dollies, so we can move it from location to
25 location without having to dismantle the rig. We plan on

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1 having an open house on this rig the same day as the
2 commission meeting in Long Beach, and we certainly hope all
3 of you commissioners who are there will take time out, and
4 we'd certainly like to show you what you have approved in
5 purchasing.

6 MR. BELL: Mr. Chairman.

7 Would it be fair, Moose, to categorize this
8 additional rig as possibly enhancing whatever our production
9 is -- whether it's declining or holding steady or whatever
10 -- as about an eight-percent increase over what otherwise
11 would happen if we didn't have it?

12 MR. THOMPSON: This is a very good way of putting
13 it. In other words, the commission has a policy of
14 returning a reasonable portion of that particular crude oil
15 pricing that we get to accelerate production. That's
16 exactly what we're doing: accelerating production.

17 Our rate now, as a result of this and other
18 expenditures you've approved, is approximately 9,000 barrels
19 a day higher than it would have been if we followed the
20 previous decline, because the commission has approved
21 millions and millions of dollars in plowing back into this.
22 I think you've approved about 20 or 30 additional million
23 dollars as a result of the federal government's increase in
24 crude oil prices.

25 MR. BELL: Thank you.

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1 ACTING CHAIRPERSON D'AGOSTINO: Any further
2 comment?

3 Without objection, item 31 will stand approved.

4 Item 32,

5 MR. NORTHROP: (Mr. Chairman, item 32 is a request
6 for a borrow permit from the Department of Transportation.
7 They intend to use the material for highway construction.

8 MR. BELL: There is no local objection to this?

9 MR. NORTHROP: We have not received any, Mr. Bell.
10 Staff informs me that this area has been used in the past
11 for a borrow pit, so it would not be as though we were going
12 into an area which had not already been used for that
13 purpose.

14 ACTING CHAIRPERSON D'AGOSTINO: Without
15 objection --

16 Item 33.

17 MR. NORTHROP: Mr. Chairman, item 33 is a
18 prospecting permit for a Denby Jackson to prospect for
19 tungsten and other materials of that nature in San Diego
20 County.

21 MR. BELL: Subject to all of the usual prospecting
22 permit restrictions and conditions which we have on all of
23 them?

24 MR. NORTHROP: Right. If he makes any kind of
25 find, then he has to come back and do whatever has to be

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1 done in the way of environmental and other planning to make
2 the venture fly commercially.

3 MR. BELL: But he does get first option.

4 MR. NORTHROP: Right. He gets first right of
5 refusing.

6 ACTING CHAIRPERSON D'AGOSTINO: Is there any
7 tungsten being mined in San Diego County?

8 MR. NORTHROP: I don't know. I'd have to refer that
9 to Mr. Everitts.

10 MR. EVERITTS: There isn't currently. There has
11 been nearby, though, in the past.

12 ACTING CHAIRPERSON D'AGOSTINO: Nearby where?

13 MR. EVERITTS: I think approximately five miles
14 east of the area.

15 ACTING CHAIRPERSON D'AGOSTINO: Within the county?

16 MR. EVERITTS: In the county, yes.

17 ACTING CHAIRPERSON D'AGOSTINO: So there is
18 tungsten being mined in San Diego County. Not presently,
19 but there has been?

20 MR. EVERITTS: Right, in that general area.

21 ACTING CHAIRPERSON D'AGOSTINO: Without comment
22 or objection --

23 Item 34.

24 MR. NORTHROP: Mr. Chairman, Item 34 is a
25 competitive lease sale. It is the authorization to offer

1 for competitive bid on over a thousand acres of land in
2 South San Francisco Bay for the extraction of oyster shell
3 deposits.

4 MR. EVERITTS: The commission may recall that a
5 few months ago we offered an area for lease in generally
6 the same area, and there was some controversy between the
7 two bidders. One of them thought that perhaps he'd been
8 had.

9 We were instructed by the commission to expedite
10 our leasing schedule, and we moved it up ahead quite a bit,
11 four or five months at least. We have been in contact with
12 the unsuccessful bidder on the first sale. At the time he
13 felt he'd spent money that he should be refunded, and we
14 agreed that he would be refunded any money he spent. We've
15 had three telephone conversations and two letters, and he
16 has never replied with any costs, so I think we've satisfied
17 that requirement.

18 ACTING CHAIRPERSON D'AGOSTINO: Without
19 objection

20 Item 35.

21 MR. NORTHROP: Mr. Chairman, item 35 is the result
22 of legislation carried last year which would call for a
23 change in our regulation. This calendar item instructs the
24 staff to receive comments on the proposal, hold public
25 hearings, and bring the results of those hearings and

1 comments back to you in the form of a finished regulation.

2 MR. BELL: Basicall, Mr. Northrop, this will
3 provide regulations which will correspond with the
4 legislation passed?

5 MR. NORTHROP: That's correct.

6 ACTING CHAIRPERSON D'AGOSTINO: Where will the
7 hearings be held?

8 MR. NORTHROP: We haven't scheduled them yet.
9 Normally hearings of this nature would be held in
10 Sacramento and other areas affected by the regulation.

11 MR. EVERITTS: Probably Santa Rosa and possibly
12 in the Imperial Valley.

13 MR. NORTHROP: So we probably would have enough
14 to cover both areas that have concerns about this.

15 ACTING CHAIRPERSON D'AGOSTINO: There will be
16 hearings in the areas affected?

17 MR. NORTHROP: Right.

18 ACTING CHAIRPERSON D'AGOSTINO: Without
19 objection --

20 Item 36.

21 MR. NORTHROP: Mr. Chairman, item 36 is a request
22 by the Orange County Environmental Management Agency for a
23 dredging permit to restore the Orange County flood control
24 channel to its design. It's silting up quite badly, and
25 they need to remove the sand and the silting.

1 To my understanding, the spoils will be spoiled
2 somewhere in the area so the Doheny State Beach can get the
3 advantage of it.

4 MR. EVERITTS: The good material they will use
5 for beach replenishment. The poor material, with too much
6 organic material in it, for example, they will spoil
7 somewhere else. If there's any benefit derived from it, we
8 receive twenty-five cents per cubic yard for the stuff
9 spoiled on private lands.

10 ACTING CHAIRPERSON D'AGOSTINO: Without objection,
11 item 36 will stand approved.

12 What is the status of major litigation?

13 MR. NORTHROP: Mr. Chairman, the Attorney
14 General's representative, Mr. Jan Stevens, will give us a
15 report.

16 MR. STEVENS: Mr. Chairman and members, the Court
17 of Appeals has upheld the validity of the statute which
18 gives the surface owner the right of first refusal on
19 geothermal leases in the case of Post v. Prati, so that
20 program will remain unhampered.

21 We have petitioned the California Supreme Court
22 to review the highwater boundary issue in connection with
23 Lake County in Lyon v. State, and the court has yet to tell
24 us whether they will hear this matter.

25 Otherwise, I think major litigation has already

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1 been covered in the previous discussions.

2 ACTING CHAIRPERSON D'AGOSTINO: Thank you.

3 Are there any other items or any further comments
4 from anyone in the audience?

5 Mr. Northrop, anything further?

6 MR. NORTHROP: Mr. Chairman, that completes the
7 report the staff has submitted.

8 ACTING CHAIRPERSON D'AGOSTINO: Thank you. The
9 meeting stands adjourned.

10 (Thereupon this meeting of the
11 State Lands Commission was
12 adjourned at 11:15 a.m.)

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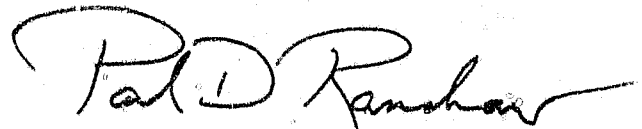
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2
3 I, PAUL D. RAMSHAW, a Certified Shorthand
4 Reporter of the State of California, do hereby certify:

5 That I am a disinterested person herein; that
6 the foregoing meeting of the State Lands Commission was
7 reported in shorthand by me, Paul D. Ramshaw, and there-
8 after transcribed into typewriting.

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

12 IN WITNESS WHEREOF, I have hereunto set my hand
13 this 16th of April, 1979.

14
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17 

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