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PUBLIC MEETING
STATE LANDS COMMISSION
STATE OF CALIFORNIA

ROOM 2117
STATE CAPITOL
SACRAMENTO, CALIFORNIA

ORIGINAL

WEDNESDAY, SEPTEMBER 26, 1979

10:00 A.M.

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

MEMBERS PRESENT

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Mr. Roy M. Bell, Acting Chairperson, representing
Ms. Mary Ann Graves, Director of Finance

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

Mr. John Jervis, representing Mr. Kenneth Cory,
State Controller

STAFF PRESENT

Mr. William F. Northrop, Executive Officer

Mr. Robert C. Hight, Chief Counsel

Mr. James F. Trout

Mr. Wilbur M. Thompson

Mr. Dwight Sanders

Mr. Donald J. Everitts

Ms. Diane Jones

OTHERS PRESENT

Mr. Jan S. Stevens, Assistant Attorney General

Mr. William John Lamont

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P R O C E E D I N G S

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3 ACTING CHAIRPERSON BELL: Ladies and gentlemen,
4 I'd like to get the meeting started. This is a meeting of
5 the State Lands Commission. I'd like to have the call of
6 the roll, please.

7 MR. NORTHROP: Mr. Bell.

8 ACTING CHAIRPERSON BELL: Present.

9 MR. NORTHROP: Mr. Ackerman.

10 MR. ACKERMAN: Present.

11 MR. NORTHROP: Mr. Jervis.

12 MR. JERVIS: Present.

13 MR. NORTHROP: Mr. Hight wants to make a statement
14 for the record.

15 MR. HIGHT: Thank you.

16 For the record, Mr. Chairman, Mr. Jervis will be
17 representing the Controller in a nonvoting capacity.

18 ACTING CHAIRPERSON BELL: Thank you.

19 Mr. Ackerman, representing Mike Curb, will do the voting.

20 The minutes of the meeting of August 23rd were
21 distributed with your agenda. Are there any corrections,
22 additions, or other comments?

23 MR. ACKERMAN: Move adoption.

24 ACTING CHAIRPERSON BELL: If not, we'll assume
25 they are adopted.

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1 The next item is the report of the executive
2 officer. Mr. Northrop.

3 MR. NORTHROP: Mr. Chairman, members, thank you.

4 The first item is the DOE hearing on crude oil
5 pricing held by the Department of Energy in Long Beach on
6 the 6th and 7th of September. They were to discuss whether
7 the definition of "heavy oil" should be changed.

8 On August 17th the decontrol of 16-degree-API-
9 gravity-and-below crude oil was accomplished. Then the
10 President's order indicated that if there was such a change,
11 should the DOE raise the gravity, the results of this will
12 be announced by mid-October.

13 The present decontrol of heavy oil will generate
14 some additional revenues. It is proposed to plow back a
15 portion of the additional revenues for production
16 acceleration, which will be discussed by Mr. Thompson in
17 the Long Beach calendar item.

18 While we're on this subject, Mr. Chairman and
19 members, I would like to introduce William John Lamont, who
20 is our Washington counsel and has represented us very ably
21 before not only the administration on some issues, but DOE
22 as well. I wonder if at this time Mr. Lamont would care to
23 share with the commission some of his views on this.

24 ACTING CHAIRPERSON BELL: Welcome, Mr. Lamont.

25 MR. LAMONT: Thank you, Mr. Bell.

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1 The Washington end of the business has been a long
2 and rather weary road in trying to get some degree of
3 recognition of the problems of heavy oil, of pricing as they
4 existed under the regulations of the FEA and the DOE, and
5 trying to get them to recognize the fact that the State of
6 California is a valid, properly incorporated state within
7 the union of the United States and not a private corporation,
8 and trying to work our way through the peculiar confronta-
9 tion that has been made necessary by the collision of the
10 extraordinarily complex federal regulations and the not
11 terribly simple state statutes governing the operation of
12 oil on the tidelands.

13 On heavy oil decontrol I think we have some
14 excellent news there that Bill brought. The President's
15 heavy oil decontrol order of August 17th was expressly
16 stated to be only a preliminary. Even as a preliminary,
17 decontrolling oil below 16 degrees was a rather nice
18 culmination of a rather long and weary road of hearing. We
19 have been in one hearing or another -- regulatory, exception,
20 exemption, or otherwise -- for almost, I guess, three years
21 now, or better than three years.

22 ACTING CHAIRPERSON BELL: At least three, yes.

23 MR. LAMONT: Each time we have managed to get a
24 little bit. This time I think we have a little bit more.
25 The President did direct the decontrol of oil below 16

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1 degrees, and expressly ordered the Department of Energy to
 2 hold hearings and to make recommendations to him as to the
 3 degree of further exemption that is to be made. Clearly,
 4 there is to be some further exemption. As of the immediate
 5 moment, it is very difficult to figure out where they are
 6 going with it.

7 There has been some discussion of the possibility
 8 that they might decontrol or release from the Department
 9 of Energy controls oil of a rather substantially higher gravity,
 10 possibly even as high as 25, and more certainly in the area
 11 of 20, but this would be accompanied by a refusal to give
 12 an exemption from the windfall profits tax for the oil
 13 which is above 16 degrees or above some intervening number.
 14 There are many options, and I don't think we really can or
 15 have to bet on any of them. I think all of them will be
 16 fairly good for the operations of the State Lands Commission.

17 The second point, of course, is that since 1974,
 18 when the Federal Energy Administration withdrew the state
 19 exemption retroactively, the accounting problems required
 20 under Chapter 138 and the rather bewildering federal
 21 requirements have been in constant collision, and we have
 22 exceptions and exemptions operating there. Those arguments
 23 are still pending. In each of them we are continuing the
 24 argument, to the extent that we are in a formal proceeding,
 25 that the Tenth Amendment does accord to a state of the

1 United States a rather substantial amount of sovereign power
2 in its own right and that in operating with respect to the
3 public lands and the resources thereon, we're exercising
4 that sovereign right.

5 Finally, we're still carrying forth that same
6 argument in relation to the forthcoming windfall profits
7 tax -- or to the possibly forthcoming windfall profits tax.
8 In the House, in connection with the President's proposal,
9 the House Ways and Means Committee adopted, and the House
10 approved, an exemption for all revenue from state-owned oil
11 which is dedicated to education. It set no cutoff date of
12 when it would be dedicated, leaving for the states the
13 option, if they wish, to replace funds normally spent for
14 education with oil funds normally spent for other purposes,
15 thereby devoting the oil to education.

16 That is probably going to be unnecessary, because
17 in the Senate the Senate Finance Committee has now adopted
18 without any significant dissent -- it was not even a
19 recorded vote, so far as I know -- an amendment which will
20 exempt all state oil income to the extent that it is used
21 for normal state activities.

22 I think this will govern, because again, there is
23 no real opposition to it in either the House or the Senate
24 once it is presented in terms of its being the state versus
25 the federal government and that the federal government ought

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1 not to be taxing the state.

2 ACTING CHAIRPERSON BELL: On what point, I know
3 this is ridiculous to ask, but the Department of Finance, of
4 which I am a representative, is now in the process of just
5 starting to put together the 1980-81 state budget,
6 including its contributions to local government, and had
7 considered the House amendment as possibly causing us to
8 restructure our entire budget, including our aid to local
9 government. If they are serious on that, that really makes
10 us approach our budget in an entirely different way.

11 Do you have any concept whatsoever as to when any
12 agreement might be reached about this by the two houses?

13 MR. LAMONT: No. I would think that you might
14 still want to leave your budgeting process flexible --

15 ACTING CHAIRPERSON BELL: We run out of time in
16 December.

17 MR. LAMONT: But then so does this Congress, thank
18 God. It will be a compromise between whatever passes the
19 Senate and what has already passed the House. Your bottom
20 line then is the Pickle amendment with the education
21 exemption. We think it would be somewhat above that, and
22 we would bet on it, but budgeting and betting are two
23 different processes.

24 ACTING CHAIRPERSON BELL: Thank you, sir. Did
25 you have one last point you wanted to make?

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1 MR. LAMONT: There is one last point I wanted to
 2 make. As Mr. Northrop reminded me, the Senate Energy
 3 Committee has given a rather strong signal to the Department
 4 of Energy as to where it thinks "heavy oil" definition
 5 limits ought to be. In amending the Defense Production Act
 6 of 1950 on the so-called "Synfuels Bill", the financing of
 7 synfuels, heavy oil is included as a synthetic fuel, in
 8 effect, and by virtue of the Kassebaum-Cranston Amendment
 9 the committee has directed that the government guarantee a
 10 market for the output of heavy oil at not less than 90 per
 11 cent of the world market price for oil of comparable grade
 12 and gravity.

13 Of course, this is just an amendment adopted by
 14 the committee, but it's a rather strong signal as to where
 15 the Congress thinks heavy oil ought to be.

16 ACTING CHAIRPERSON BELL: Not the spot market, but
 17 the world market price?

18 MR. LAMONT: That's right.

19 ACTING CHAIRPERSON BELL: That's interesting: no
 20 concept as to where "heavy oil" stops or starts.

21 MR. LAMONT: I might also add that it reflects
 22 Senator Cranston's very active participation in this process.
 23 As majority whip and a former State Lands Commission member,
 24 it reflects a considerable amount of clout.

25 ACTING CHAIRPERSON BELL: Thank you very much,

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1 Mr. Lamont.

2 MR. NORTHROP: Mr. Chairman, we would like to have
3 a short executive session after the end of this meeting
4 regarding some oil litigation.

5 ACTING CHAIRPERSON BELL: All right.

6 MR. NORTHROP: In May I received a letter from
7 the Great Basin Unified Air Pollution Control District
8 (covering Alpine, Mono, and Inyo Counties) discussing
9 particulate emissions or dust emanating from Owens dry lake
10 bed. The letter stated that the emissions have had an
11 adverse effect on the health of residents of Inyo County
12 and portions of Kern County, as well as having a severe
13 effect on visibility at the China Lake Naval Weapons Center.

14 The district contended that since the State Lands
15 Commission is the owner of the bed of the lake, the
16 commission has primary responsibility for control of dust
17 from the lake bed. More recently the Southeast Desert Basin
18 Air Pollution Control Council supported Great Basin's
19 position.

20 Although staff does not agree that the commission
21 has liability, we have cooperated with the APCD and have
22 joined in a task force to review the problem in more detail
23 to determine if it is the responsibility of State Lands to
24 control the dust. The task force includes representatives
25 from the air pollution control district, State Lands, the

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1 County of Inyo, the Los Angeles Department of Water and
2 Power, the Bureau of Land Management, the China Lake Naval
3 Weapons Center, the U.S. Soil Conservation Service, Inland
4 Counties Health Systems Agency, and the Lake Mineral
5 Corporation (who is a lessee of State Lands and on the
6 agenda today).

7 To date the task force has held two meetings. A
8 variety of scenarios have been discussed varying from no
9 action to completely reflooding the lake. Immediate
10 proposals consider selectively stabilizing areas of the
11 lake bed with various chemicals or vegetation.

12 Commission staff has repeatedly cautioned the
13 task force that regardless of whose responsibility abatement
14 is, even if it's feasible, large sums of money will be
15 required. Obviously, the only source of such funds is
16 through legislation.

17 In support of that concept, staff met in my office
18 yesterday with Supervisor McDonald from Inyo County, who
19 understood our problem; Dennis Myers, deputy district
20 attorney; and Charles Fryxell, the Great Basin air pollution
21 control officer, to discuss funding. Present also were
22 representatives from Senator Stiern's office and Assemblyman
23 Wyman's office and from the Air Resources Board.

24 We propose to continue with this task force and,
25 in fact, have already agreed to participate informally in a

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1 proposed field investigation with the Naval Weapons Center
2 and the Department of Water and Power to identify and
3 evaluate potential mitigation measures. Field studies to
4 identify areas most sensitive to wind erosion would be
5 completed at the same time. An experimental stabilization
6 plot will be established. This could lead to ultimate
7 management of the dust problem.

8 Mr. Chairman and members, I have a letter here
9 from Gene Tackett, supervisor of Kern County, and I want to
10 quote one sentence:

11 "We urge the support of the State
12 Lands Commission in controlling the
13 dust from the dry lake bed."

14 Then I have a letter here from the chairman of the board
15 of supervisors in Kern County, which quoted in part reads:

16 "The board of supervisors recommends
17 that the implementation of necessary
18 control measures may be complex and
19 expensive, but there is nevertheless
20 a critical need to attempt corrective
21 action. Your consideration of the
22 board's position in this matter will
23 be sincerely appreciated."

24 ACTING CHAIRPERSON BELL: Both of these letters
25 are from Kern County?

1 MR. NORTHROP: One was from Kern County, and one
2 was from a supervisor of Kern County.

3 ACTING CHAIRPERSON BELL: Thank you.

4 MR. NORTHROP: I'm informed that a representative
5 of the district wishes to make a brief presentation to the
6 commission.

7 ACTING CHAIRPERSON BELL: Your name for the
8 record, please.

9 MR. FRYXELL: I'm Charles L. Fryxell, air
10 pollution control officer.

11 ACTING CHAIRPERSON BELL: Please go ahead.

12 MR. FRYXELL: I will make it short and not take
13 up too much of your time.

14 ACTING CHAIRPERSON BELL: Tell us who made the
15 lake dry in the first place.

16 MR. FRYXELL: It came about by the City of
17 Los Angeles.

18 ACTING CHAIRPERSON BELL: I just wanted that for
19 the record.

20 (Laughter.)

21 ACTING CHAIRPERSON BELL: Please proceed.

22 MR. FRYXELL: Earlier this spring, the district
23 began receiving numerous complaints concerning high dust
24 concentrations in and around the lake area. The district
25 investigated these complaints as part of our job, as we're

1 charged to do under state and federal law, and we determined
2 that the dust was in fact coming from the Owens dry lake.
3 The investigation further revealed that the State Lands
4 Commission owns the lake bed and, in the district's opinion,
5 then has primary responsibility for control of the dust.

6 I had some correspondence with Mr. Northrop
7 concerning this, and the task force was set up. At the
8 first meeting I was left a little bit aloof as to the State
9 Lands Commission's position. Staff at that meeting said
10 they would participate up to a point, but no responsibility
11 would be admitted.

12 At this time I addressed the air pollution control
13 board and apprised them of the situation and of the State
14 Lands Commission's position. They then directed me to come
15 and appear before the commission here and to fully apprise
16 the commission of the extent of the problem.

17 Since then, we had another task force meeting and
18 a meeting with your staff yesterday afternoon. Primarily,
19 what I'm here to discuss is not the task force aspect, but
20 the district's responsibility in correcting this nuisance
21 problem. It's the district's feeling that before any
22 resolution of the problem, the State Lands Commission is
23 going to have to accept the responsibility. We'd like to do
24 this in a cooperative effort rather than by other methods.
25 I think we can get a lot more done that way.

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1 State Lands Commission staff yesterday related
2 some feelings of frustration in what they were going to do
3 and what type of program or whatever had to be done, but I
4 believe until the responsibility is accepted it's
5 pretty hard to devise a program to abate a problem.

6 So we have basically three things: there is a
7 critical problem affecting the health of the people in Inyo
8 County, especially in two communities very close to Owens
9 Lake; there are solutions to it; and the district wants to
10 continue to work with the State Lands Commission in a
11 cooperative effort.

12 That about concludes my presentation.

13 ACTING CHAIRPERSON BELL: Your primary mission
14 in coming here today is to suggest that you feel that the
15 first step would be the assumption of responsibility by the
16 State Lands Commission and then proceed with attempting to
17 arrive at a solution? I'm trying to paraphrase what you
18 just said.

19 MR. FRYKELL: That's correct.

20 ACTING CHAIRPERSON BELL: Thank you, Mr. Fryxell.
21 Is there any comment by the executive officer?

22 MR. NORTHROP: I don't know whether counsel wants
23 to comment now or not.

24 MR. HIGHT: Mr. Bell?

25 ACTING CHAIRPERSON BELL: Mr. Hight.

1 MR. HIGHT: The research that we have done to
 2 date indicates that the commission is not legally
 3 responsible for the problem. However, we're willing to
 4 cooperate in the planning effort to try to resolve the
 5 problem. I think any admission of liability on the
 6 commission's part at this point would be inappropriate.

7 ACTING CHAIRPERSON BELL: The lawyers have a term
 8 for the situation where you say, "Well, I'll go ahead with
 9 the suit, but I won't admit liability." What is that word?

10 (Laughter.)

11 MR. MYERS: Mr. Chairman, may I address the issue?

12 ACTING CHAIRPERSON BELL: Yes.

13 MR. MYERS: I'm Dennis Myers. I'm the deputy
 14 district attorney from Inyo County, and I represent the
 15 commission and also D.A.'s office of Inyo County.

16 I disagree with counsel's evaluation. We've also
 17 studied the legal aspects of it, our district attorney's
 18 office and the district attorney's offices of a couple of
 19 other counties.

20 We totally disagree. We think this commission is
 21 very liable in this situation.

22 ACTING CHAIRPERSON BELL: Thank you.

23 MR. NORTHROP: That concludes our presentation on
 24 that item.

25 Mr. Chairman, items 27, 43, and 44 are off

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calendar.

ACTING CHAIRPERSON BELL: Let me just take a minute to take them off calendar. You read them so fast I might have missed them.

MR. NORTHROP: Items 27 --

ACTING CHAIRPERSON BELL: That was on the consent calendar?

MR. NORTHROP: No, that was on the regular calendar.

ACTING CHAIRPERSON BELL: That's off calendar?

MR. NORTHROP: That's off calendar.

ACTING CHAIRPERSON BELL: Which are the other two?

MR. NORTHROP: The other two are the last two, Mr. Chairman: 43 and 44.

ACTING CHAIRPERSON BELL: Obexer and Son is off?

MR. NORTHROP: Counsel has had some conversations with their counsel, and we're hopeful that we'll be able to arrive at some kind of equitable agreement.

ACTING CHAIRPERSON BELL: Thank you, Mr. Northrop.

MR. NORTHROP: With that, Mr. Chairman, my report is complete.

ACTING CHAIRPERSON BELL: Does that complete the executive officer's report?

MR. NORTHROP: It sure does.

ACTING CHAIRPERSON BELL: Is there a staff report

1 today on the State Coastal Commission?

2 MR. NORTHROP: I don't believe so at this time.
3 Mr. Golden is not with us today, so I don't believe we have
4 that.

5 ACTING CHAIRPERSON BELL: Fine. We'll pass that
6 item.

7 The next item is what we call our consent
8 calendar. I believe the first 23 items are on the consent
9 calendar. Is there any item in there, C1 through C23,
10 which any member wishes to withdraw from the consent
11 calendar to be heard separately?

12 MR. ACKERMAN: No.

13 MR. JERVIS: No.

14 ACTING CHAIRPERSON BELL: Is there anyone in the
15 audience who wishes them to be heard separately?

16 Hearing none --

17 MR. ACKERMAN: I will move those items be
18 approved.

19 ACTING CHAIRPERSON BELL: I have a motion to
20 second. The consent calendar, C1 through C23, is approved.

21 We now go to the regular calendar. The first
22 item on the regular calendar, item 24, is the Wickland Oil
23 Company.

24 MR. NORTHROP: Mr. Chairman, this is an EIR in
25 which the State Lands Commission is the lead agency for the

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1 Wickland Oil Company for a new petroleum terminal on the
2 site of approximately 36 acres of filled tide and submerged
3 lands. Mr. Dwight Sanders of our staff, the chief of the
4 environmental and planning section, was in charge of this
5 EIR, and I would like to have him at this time briefly tell
6 the commission where we've been on that EIR.

7 ACTING CHAIRPERSON BELL: Thank you.

8 MR. SANDERS: Mr. Chairman, my name is Dwight
9 Sanders. I'm the chief of the planning and environmental
10 coordination unit within the executive office of the
11 commission. With me is Joseph Rusconi, staff counsel, who
12 was counsel to and through this whole process.

13 The picture that I've given you indicates the
14 two areas in question. One is a lease of filled land and
15 submerged lands, and the other is a lease of tide and
16 submerged lands for a wharf facility.

17 The environmental impact report, as mentioned by
18 Mr. Northrop, was prepared under the aegis of the State
19 Lands Commission. In the process of the EIR, there were two
20 hearings in deference to the one required by law: one here
21 in Sacramento and one in Crockett. There were two
22 predominant environmental issues that surfaced that are both
23 within the purview of responsible agencies and within the
24 purview of the State Lands Commission. I will briefly
25 enumerate those and will respond to any questions thereon.

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1 ACTING CHAIRPERSON BELL: All right.

2 MR. SANDERS: One is the air quality issue.

3 Pollutants generated by the project are largely attributable
4 to the ships that will be calling at the terminal. The air
5 quality question is within the legal purview of the Bay
6 Area Air Quality Management District, which has already
7 issued a permit to the Wickland Oil Company. That permit
8 is now under appeal through their administrative appeal
9 procedures.

10 The second issue is the one of public access,
11 which is within the purview of both BCDC and the State Lands
12 Commission. Within the calendar item you will notice that
13 the State Lands Commission has specified that access be
14 provided to the commission within the project area.

15 The third issue, which is completely within the
16 purview of the State Lands Commission, is responding to the
17 issues of geology and seismicity. At present the facility
18 is only in a conceptual state. Detailed working drawings
19 are not in existence at this time. The staff has provided,
20 in effect, that the detailed engineering drawings will be
21 submitted to staff prior to construction of the facility
22 and that those drawings will conform to the engineering
23 evaluation provided within the environmental impact report.

24 Lastly, there is the question of oil spill. The
25 EIR found that additional measures for oil spill containment

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1 and gasoline cleanup were necessary. As mitigation to that
 2 impact, the commission is requiring two things: (1) the
 3 submission for review and acceptance of an oil spill
 4 contingency plan prior to the operation of the terminal.
 5 That plan, as envisioned, would be reviewed not only by the
 6 State Land Commission staff, but by agencies such as Fish
 7 and Game, Water Quality, and BCDC, who also have specific
 8 expertise in this area.

9 (2) Again, prior to the operation of the terminal, the
 10 review and acceptance by the State Lands Commission of a
 11 comprehensive terminal operations manual.

12 If there are any questions as to the impacts or
 13 their mitigation measures from commission members, I would
 14 be most happy to respond.

15 ACTING CHAIRPERSON BELL: I thank you very much.
 16 I just had two letters passed out. I also have, by the way,
 17 an appearance request from Suzanne Rogalin, who is energy
 18 analyst for BCDC on this item.

19 MR. NORTHROP: Citizens for a Better Environment
 20 have a letter in that should be recognized at this time.
 21 Perchloroethylene is the new solvent to be used as an offset.
 22 They have some concerns on that product. The letter also
 23 carries several other comments on the EIR -- as well as a
 24 letter from the Hercules Environmental Resources Committee.

25 ACTING CHAIRPERSON BELL: The Hercules

1 Environmental Resources Committee is a separate organiza-
2 tion?

3 MR. SANDERS: Yes, sir, Mr. Bell.

4 MR. ACKERMAN: Are most of the objections that
5 were raised to this on the air quality aspects of the
6 project?

7 MR. SANDERS: Yes, sir, they are, Mr. Ackerman.

8 I might add also as a point of clarification and
9 just to summarize the manner in which the document dealt
10 with the issues that have been raised, Citizens for a
11 Better Environment has raised primarily the specter of the
12 carcinogenic effects of perchloroethylene, the solvent that
13 will be used by the dry cleaner in place of a Stoddard
14 solvent. That particular substitution is part of the trade-
15 off package negotiated between the applicant and the Bay
16 Area Air Pollution Control District.

17 Specifically with regard to that point, OSHA
18 standards at present state that a concentration of 100 parts
19 per million is allowable in a work surrounding of
20 perchloroethylene. The percholoroethylene concentration
21 100 meters from the dry cleaning plant will be 0.015 parts
22 per million. In recognition of further studies necessary to
23 determine whether in fact perchloroethylene is a
24 carcinogenic agent -- that is recognized, but the
25 concentrations are so minuscule in comparison to the

1 allowable OSHA standards it might beg the question on this
2 particular issue,

3 MR. ACKERMAN: Do I understand, then, that the
4 real question on the air quality issue concerned not the
5 Wickland project itself but the determination of what the
6 offset was to be?

7 MR. SANDERS: That's correct, sir. Again, that
8 is within the precise purview of the Bay Area Air Pollution
9 Control District.

10 ACTING CHAIRPERSON BELL: That is a responsibility
11 of the Bay Area Air Pollution Control District?

12 MR. SANDERS: Yes. The definition and negotiation
13 and determination of adequacy, pursuant to their rules and
14 regulations, of a tradeoff package is their responsibility.

15 MR. ACKERMAN: Was that part of the basis for the
16 appeal, the permit issue?

17 MR. SANDERS: Yes. The appeal is based on five
18 issues, of which the carcinogenic nature of the solvent is
19 one. Another issue that is being raised is the action of
20 the district prior to the certification of the final EIR.

21 MR. ACKERMAN: In order for the project to go
22 ahead, I assume the air quality control district has to
23 issue a permit.

24 MR. SANDERS: They have done so already, and that
25 permit is under appeal, so that permit must be finalized in

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1 some way, shape, or form before that project can go ahead.

2 ACTING CHAIRPERSON BELL: Not being an attorney,
3 I just want to be sure: If the appeal is found to be valid,
4 then the Bay Area Air Pollution Control District may not
5 issue a final permit; is that correct? Or they may with-
6 draw their permit? Or is the final action that they can't
7 do anything about it?

8 MR. SANDERS: Correct me if I'm wrong, Joe, but it
9 would be my understanding, sir, that the permit would then
10 be invalid, the existing permit would be invalid, and the
11 district would again start from go.

12 ACTING CHAIRPERSON BELL: They'd have to start
13 over?

14 MR. SANDERS: Yes, and obviously the material and
15 analysis contained in the environmental impact report would
16 be available for their use.

17 MR. ACKERMAN: Does that mean that if this item
18 is approved today on the calendar and the permit was
19 successfully appealed, then the item would have to come
20 back before the commission?

21 MR. SANDERS: Again, it's my understanding that
22 the conditions of the commission's permit would be that the
23 applicant receive permits from all other applicable
24 agencies involved. I do not believe that the lease would
25 have to come back to the commission under those

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1 circumstances, primarily because the permit is issued by a
2 responsible agency rather than the commission itself.

3 MR. HIGHT: Mr. Chairman.

4 ACTING CHAIRPERSON BELL: Mr. Hight.

5 MR. HIGHT: As a condition of obtaining a lease,
6 the applicant must obtain permits from all other appropriate
7 governmental agencies, and the permit would not be executed
8 until such has taken place.

9 MR. ACKERMAN: Then approval of this item is
10 conditional upon the final appeal?

11 MR. SANDERS: It's subject to the obtaining of
12 all other necessary permits by the applicant.

13 MR. ACKERMAN: Okay.

14 ACTING CHAIRPERSON BELL: I know BCDC can stop
15 the thing anyway.

16 MR. SANDERS: As you have referenced, there is an
17 agreement between the State Lands Commission and BCDC. As
18 you are aware, BCDC's approach to a permit is such that they
19 will not accept an application until a final EIR has been
20 certified by the lead agency.

21 ACTING CHAIRPERSON BELL: And generally will not
22 issue a permit or accept anything until the State Lands
23 Commission has already acted.

24 MR. SANDERS: That's correct.

25 ACTING CHAIRPERSON BELL: They sort of make a

1 fetish of that.

2 MR. SANDERS: So there is indeed time between the
3 commission's action and BCDC's consideration for negotiation
4 on any issues involved.

5 ACTING CHAIRPERSON BELL: Are there any other
6 questions?

7 MR. JERVIS: No.

8 MR. SANDERS: I believe Suzanne Rogalin of BCDC
9 does wish to address the commission.

10 ACTING CHAIRPERSON BELL: Yes. I think I should
11 then call on Ms. Suzanne Rogalin.

12 MS. ROGALIN: Our staff has commented upon the
13 draft EIR on the Wickland project, and we congratulate your
14 staff for a basically excellent document. There are only
15 three items we wish to comment upon today: public access,
16 the marsh, and an aspect of oil spill prevention.

17 Under the McAteer-Petris Act maximum Feasible
18 public access to the bay consistent with a project, whether
19 it is housing, industry, or ports, should be provided. Such
20 access usually takes the form of a continuous path along the
21 shoreline.

22 Wickland representatives, however, have stated
23 that such public access at their site would interfere with
24 operations and security. If these objections to the shore-
25 line trail or access point were found to be justified by

1 BCDC, then the commission might accept in-lieu public access
2 at an appropriate inland location near the project, as
3 suggested in Policy 1 of the Bay Plan.

4 The East Bay Regional Parks District, the Contra
5 Costa Coastal Corridor Parks and other groups have proposed
6 a shoreline trail from Point Pinole Regional Park to
7 Martinez Shoreline Regional Park. This concept was endorsed
8 in the Public Access Supplement to the Bay Plan as endorsed
9 by our commission.

10 The East Bay Regional Park District has submitted
11 plans for the dedication of the hills and a trail to cross
12 the Wickland property along the crests of the hills,
13 eventually arriving at the county parking and view site off
14 Highway 40 at the eastern end of the property. BCDC staff
15 agrees it would be a great public benefit to dedicate the
16 hills as open space. If this is not feasible, however, then
17 clearly some variation of the park district's proposal for
18 a continuous trail predominantly along or in view of the bay
19 seems a reasonable minimum.

20 We would ask that there be a requirement in the
21 State Lands lease of maximum feasible public access
22 consistent with the project.

23 On our second point, there is agreement between
24 BCDC, the park district, Fish and Game, and U.S. Fish and
25 Wildlife that the ten-acre marsh on the western edge of the

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1 property is an area of environmental significance and should
2 be improved and dedicated to an appropriate public agency,
3 such as the East Bay Regional Park District.

4 Finally, BCDC staff commented in the EIR that
5 Wickland Oil Company should be responsible, as the terminal
6 operator, for deciding if tugs should be used in docking
7 vessels. The response to this comment in the final EIR
8 stated (and I quote):

9 "It should be emphasized that the
10 safety of the vessel rests with the
11 master and pilot, and is out of the
12 realm of the applicant's control."

13 We were not commenting on vessel safety, but on oil spill
14 prevention and liability.

15 One of the conditions placed upon Pacific Gas and
16 Electric Company by BCDC when granting a permit for the fuel
17 dock at Pier 70 in San Francisco was that tank ships should
18 be assisted to and from the pier by two or more tug boats. Our
19 commission may find, as it did in the case of PG&E at Pier
20 70, that tug boats may be required at the Wickland Terminal.

21 We thank you for your cooperation on this project.

22 ACTING CHAIRPERSON BELL: Thank you, Suzanne very
23 much.

24 Was I correct in saying -- maybe I shouldn't even
25 ask it, but lately when we've been going down to BCDC, we

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1 usually raise the question or at least inform the commission
2 that the State Lands Commission has or has not issued
3 permits, and it's always my impression that the commission
4 would prefer to have us take our action before they make
5 their rulings.

6 MS. ROGALIN: That is true.

7 ACTING CHAIRPERSON BELL: All right. Is there
8 anyone else to appear on item 24 on the Wickland Oil Company?

9 MR. DIEPENBROCK: I'm John Diepenbrock. I'm from
10 Diepenbrock, Wulff, Plant and Hannegan. I'm an attorney for
11 Wickland Oil Company. Roy Wickland, vice president of
12 Wickland, is here and is available to answer any questions
13 which any of the commission members might have in respect
14 to the operation of the plant or the construction of the
15 terminal, the status of the permit, or any other aspect.

16 ACTING CHAIRPERSON BELL: Thank you,
17 Mr. Diepenbrock.

18 MR. DIEPENBROCK: I might say only this, that in
19 respect to the substance of what you're considering,
20 obviously there is work to be done in the matter of public
21 access to the terminal. Wickland is not unwilling to get
22 into that subject and has been in a dialogue. It does have
23 a continuing concern about public safety in connection with
24 the active operations of the terminal and with the close
25 proximity of the Southern Pacific right of way. There have

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1 been instances already of damage done to the property
2 through irresponsible access to the property, and our main
3 concern is to be sure that access is handled in an orderly
4 way.

5 This may mean that the specific provisions of the
6 second lease that is before you for the larger parcel may
7 need to return to the commission for further consideration
8 following the completion of the dialogue with BCDC, but we
9 are assured by the staff that we will work out a mutually
10 satisfactory arrangement, one that is mutually satisfactory
11 to the commission staff, to BCDC, and to Wickland Oil
12 Company, and we're hopeful that that can be done
13 expeditiously.

14 ACTING CHAIRPERSON BELL: Thank you.

15 Just to check back, we said that if this were
16 turned down or changed, it would not have to come back to
17 us. But if we did have adjustment of the access,
18 particularly an agreement with BCDC or something like that,
19 this would have to come back on the 36-acre parcel,
20 wouldn't it?

21 MR. NORTHROP: Mr. Chairman, we believe this item
22 will probably be back to the commission on two separate
23 occasions: one on the access, which we're working with;
24 and the second on --

25 MR. SANDERS: -- the oil spill contingency plans

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1 and terminal operations manual approval. So this is not
2 the last time the commission will see this project.

3 MR. NORTHROP: There properly will be a
4 hypothecation of the lease for construction funds.

5 ACTING CHAIRPERSON BELL: Our role today, though,
6 is to issue two new industrial leases; is that correct?

7 MR. NORTHROP: That's correct, Mr. Chairman.

8 MR. SANDERS: And also, sir, to certify the EIR.

9 ACTING CHAIRPERSON BELL: And certify the EIR,
10 which was that great big fat thing I looked at yesterday
11 on my desk; is that correct?

12 MR. NORTHROP: That's right, Mr. Chairman.

13 ACTING CHAIRPERSON BELL: They did a rather
14 comprehensive job. I'll say that for them.

15 MR. ACKERMAN: One final question on the comments
16 from BCDC. My understanding is that the access problem
17 will specifically be brought back to the commission at a
18 subsequent meeting.

19 MR. NORTHROP: That's correct. We will bring it
20 back on the access problem -- or on the access solution.

21 ACTING CHAIRPERSON BELL: They have to thrash that
22 out with BCDC to satisfy them.

23 MR. ACKERMAN: With that, I will move approval
24 of the item.

25 ACTING CHAIRPERSON BELL: All right. Mr. Ackerman

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1 moves. I second. All in favor --

2 MR. ACKERMAN: Aye.

3 ACTING CHAIRPERSON BELL: Aye. That is approved.

4 The next item on the calendar is item 25, land
5 bank agreement.

6 MR. NORTHROP: Mr. Chairman, as you recall, we
7 had a land bank agreement on Browns Island. We have
8 exhausted the land available in that land bank, so we are
9 now establishing a new land bank in Suisun Bay in Contra
10 Costa County of 441 acres.

11 We will use this land to mitigate on areas of
12 state ownership in the release of state ownership.

13 ACTING CHAIRPERSON BELL: Any further discussion
14 on authorizing this new land bank agreement? Now that
15 we've used up Browns Island, we need another one, don't we?

16 MR. ACKERMAN: So move.

17 ACTING CHAIRPERSON BELL: I have a motion and a
18 second. All in favor, say Aye.

19 MR. ACKERMAN: Aye.

20 ACTING CHAIRPERSON BELL: Aye. Item 25 is
21 approved, which now allows us to go to item 26.

22 MR. NORTHROP: Item 26 is the first parcel of
23 land to be taken out of the 441 acres. Staff informs me
24 it's about 16.6 acres. It is satisfying a mitigation
25 requirement.

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1 ACTING CHAIRPERSON BELL: Without objection --

2 MR. ACKERMAN: No objection.

3 ACTING CHAIRPERSON BELL: Without objection, then,
4 item 26 is approved.

5 Item 27 is off calendar. Item 28, Curtis Carley.

6 MR. NORTHROP: Mr. Chairman and members,

7 Mr. Trout has a photo here of an anchor that was recently
8 retrieved from the Pacific Ocean near Fisk Mill Cove. When
9 the anchor came ashore, a representative of Parks and
10 Recreation at first impounded the anchor and then released
11 it, but informed the salvor, Mr. Curtis Carley, that we had
12 an interest.

13 What I'm asking here is authorization to approve
14 the salvage value and set some kind of price with
15 Mr. Carley on this anchor.

16 ACTING CHAIRPERSON BELL: Do I assume it's going
17 to be a reasonably --

18 MR. NORTHROP: It will be in line with the
19 regulations and laws of the State of California.

20 ACTING CHAIRPERSON BELL: Is there any objection
21 to item 27? If we don't approve it, we get stuck with the
22 anchor.

23 MR. ACKERMAN: No objection.

24 ACTING CHAIRPERSON BELL: All right. There is no
25 objection to item 28. Item 28 is approved.

1 Item 29.

2 MR. NORTHROP: Mr. Chairman, item number 29 is a
3 retracement survey and map in Santa Monica, which is
4 necessary, I believe, for action the Attorney General is
5 contemplating in that area.

6 MR. ACKERMAN: No objection.

7 ACTING CHAIRPERSON BELL: No objection? Item 29
8 is approved.

9 Item 30, Parks and Recreation.

10 MR. NORTHROP: Mr. Chairman, item 30 is a 11-
11 month general agency permit for Parks and Recreation in the
12 City of San Buenaventura, Ventura County, for beach
13 maintenance, patrol, and lifeguarding in that area, which
14 we're informed by Assemblyman Imbrecht's office is subject
15 to rip tides.

16 ACTING CHAIRPERSON BELL: This is one we've
17 considered before in other ways?

18 MR. NORTHROP: I made reference to it in the
19 executive officer's report last time.

20 ACTING CHAIRPERSON BELL: Okay. Anyway, we've
21 worked out a mutual agreement where we had the problem of
22 the state trying to take care of something that really was
23 a city responsibility.

24 MR. NORTHROP: What happened, really, is that the
25 city made the beach so attractive, and the adjoining

1 property, that now the access is there and people are
2 bathing without realizing there was a serious problem.

3 ACTING CHAIRPERSON BELL: So we're taking care of
4 it. Without objection --

5 MR. ACKERMAN: No objection.

6 ACTING CHAIRPERSON BELL: Without objection,
7 item 30 is approved.

8 Item 31, denial without prejudice.

9 MR. NORTHROP: Mr. Chairman, this covers two
10 applications for state-owned property. In conformance with
11 AB 884, the commission must take some action at the latest
12 at this meeting. We are recommending now without prejudice.

13 MR. ACKERMAN: No problem.

14 ACTING CHAIRPERSON BELL: Without objection,
15 item 31 is approved.

16 Item 32.

17 MR. NORTHROP: Mr. Chairman, item 32 will be
18 addressed by Mr. Hight.

19 MR. HIGHT: Item 32, Mr. Chairman, is the
20 authorization to accept a quitclaim deed for a portion of
21 the Tule berm around the Rindge Tract. This is, hopefully,
22 the start of a settlement of the Rindge Tract controversy.

23 MR. ACKERMAN: No problem.

24 ACTING CHAIRPERSON BELL: There is no objection
25 to item 32, and we will accept the quitclaim deed.

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1 Item 33, authorize necessary action.

2 MR. NORTHROP: Mr. Chairman, items 33 and 34 will
3 be addressed by Mr. Thompson of our Long Beach operation.
4 He's going to explain to us why the County of Los Angeles
5 is overassessing.

6 ACTING CHAIRPERSON BELL: I'd like to hear that.
7 We have that problem with our Del Mar racetrack. We have
8 it in many other places.

9 MR. THOMPSON: I don't know whether I'll give you
10 the answers or not. I'll give you the questions and the
11 problems.

12 The Los Angeles county assessor has given the
13 Long Beach unit a valuation of \$443 million as of the lien
14 date in 1979. This is two sections. It's \$101 million for
15 land and improvements and \$342 million for mining rights.

16 We believe this figure for mining rights is
17 unrealistically high. His value for the 1978 mining rights
18 was \$215 million. The problem is the value of mining rights
19 that are attributed to new reserves, which the assessor
20 claims to be valued at \$145 million. This is an increase
21 of 67 per cent over 1978.

22 ACTING CHAIRPERSON BELL: May I stop you just a
23 second? Since we're supposed to be using 1975 values under
24 Proposition 13, they get the price up by saying we're
25 finding new reserves?

1 MR. THOMPSON: This is the analogy they used: if
2 you had a house and you add a swimming pool or something
3 like that. This is the "added valuation" concept.

4 ACTING CHAIRPERSON BELL: They place a current
5 value on that portion which is added?

6 MR. THOMPSON: Alteration or addition.

7 ACTING CHAIRPERSON BELL: Thank you.

8 MR. THOMPSON: That's what this concept is. This
9 addition was put on after we had produced over 25 million
10 barrels of oil with a net value of \$75 million during the
11 1978-79 tax year.

12 Getting back to your question of how this
13 valuation is done, under Proposition 13 the value is the
14 prior year value plus the value of the additions, less the
15 value of the 1978 production, plus two per cent per year,
16 plus the value of any increase in the ultimate production,
17 which is the "new reserve" concept. This increase, then, this
18 extra element, is called "new reserves" and is created by
19 factors such as new drilling, well stimulation, and after-
20 recovery operations, or prolonged life on the end because
21 we get better crude oil prices.

22 ACTING CHAIRPERSON BELL: Prolonged life?

23 MR. THOMPSON: Right. In other words, if you
24 anticipate getting higher crude prices, higher than your
25 operating costs in the future, then you'll be able to

1 operate the property longer and therefore produce more oil.

2 We're proposing an appeal of this particular
3 assessment.

4 ACTING CHAIRPERSON BELL: Could I just ask about
5 that? I'm sorry to interrupt again. We do have a lien
6 date, don't we? '79 or something like that? Are they
7 anticipating increases in oil prices past the lien date in
8 terms of valuing --

9 MR. THOMPSON: This is a bond of contention with
10 us, and it's never quite clear to us what the assessor may
11 use. We think it should be the oil price as of lien date.
12 They say whatever concept they have of what it might be in the
13 future, plus any reasonable information they gain within a
14 short period after that and before it's actually put on the
15 rolls. I think they turn over in August and they're
16 finalized at the end of this month.

17 MR. JERVIS: Do you suppose the Los Angeles
18 assessor knows something about oil prices that Mr. Lamont
19 doesn't know or didn't tell us this morning?

20 MR. THOMPSON: Well, if there's anybody who
21 really knows anything at all on exactly what crude oil
22 prices are going to be, they have a very unusual crystal
23 ball.

24 MR. JERVIS: Did they consult with you, John?

25 MR. LAMONT: No.

1 MR. ACKERMAN: Prior to the passage of Proposi-
2 tion 13, did the county ever use this technique before?

3 MR. THOMPSON: The technique, in effect, was used
4 because every year we do it the same way. With real estate
5 you can normally find comparable sales. This is how
6 valuation is normally done. Or with inventory, I guess,
7 you'd have some pricing mechanism.

8 For oil properties, if you can find a comparable
9 sale in the area, you can use that approach. But for large
10 properties, such as this, they just aren't sold. So what
11 you do is you take and run a future cash flow of what the
12 property is going to produce, you estimate what the oil
13 production is going to be and what the cost is going to be,
14 and then the key thing is what oil price you are going to
15 use to get the gross revenue.

16 ACTING CHAIRPERSON BELL: So he's using the
17 income stream method.

18 MR. THOMPSON: Right, that's the income stream method.
19 Along this income stream method, we are taxed here
20 through a possessory interest concept against the field
21 contractor. That's the entity in which the assessor taxes us
22 indirectly, and these taxes then go into that profits
23 account.

24 What they've done here is in extending this life
25 of the field to get more reserves, they've exceeded the

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1 length of the contract that the possessory interest holds.
2 Last year, or very recently, they lost a case on this
3 particular issue, and therefore this is one of the bases of
4 our particular appeal. You cannot tax that possessory
5 interest for any longer than the term of the contract for
6 which that possessory interest exists. They have extended
7 this one four or five years beyond that. We've talked to
8 the Attorney General on this, and they've recommended this
9 approach on this.

10 ACTING CHAIRPERSON BELL: If I understand it
11 properly, they're not actually putting the possessory
12 interest against the state, but against the operating
13 company.

14 MR. THOMPSON: Who has the possessory interest,
15 the right to produce.

16 ACTING CHAIRPERSON BELL: And their contract only
17 extends to a certain time, so the remaining possessory
18 interest in the contract can only run to the contract
19 termination date. They're extending this valuation
20 method --

21 MR. THOMPSON: They are running the reserve life
22 of the unit beyond that and have made the mistake, we think,
23 in this particular case of using the tail end as being part
24 of --

25 ACTING CHAIRPERSON BELL: As part of the

1 contractual obligation of the private party.

2 MR. THOMPSON: Yes. We don't think that's right.
3 We've already discussed this with the county counsel. He's
4 quite aware of it, and that will be a cross he has to bear
5 from here on on all these possessory interest deals.

6 If we can win this one, the same situation next
7 year again -- we will always be bumping against this same
8 fixed-year time.

9 ACTING CHAIRPERSON BELL: Mr. Thompson, are we
10 being asked here only to file an application for reduction
11 of the possessory interest amount?

12 MR. THOMPSON: Yes.

13 ACTING CHAIRPERSON BELL: Or are we doing more
14 than that in this action?

15 MR. THOMPSON: We're asking for your commission
16 to go in and join with the rest of the participants in the
17 Long Beach Unit and file an appeal for this particular
18 amount. Actually, in this case we'll probably be the agent,
19 just as we were for the 1977 appeal. Incidentally, we're
20 finally going to get a hearing on that on November 13th or
21 14th of this year on that issue.

22 ACTING CHAIRPERSON BELL: By the way, what is the
23 value to the state, Mr. Thompson? If it's against the
24 private companies, why should the state have an interest?
25 We'd better put that on the record.

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1 MR. THOMPSON: This actually becomes a cost in
2 the net profits account. Part of the contract says that
3 all taxes assessed against the contractor shall become an
4 expense in the expense account, so therefore these taxes
5 reduce our net profits and therefore reduce the revenue to
6 the state.

7 ACTING CHAIRPERSON BELL: That's the point I
8 wanted to make. It's to the state's fiscal interests, and
9 almost a fiscal necessity, to join the private contractors
10 in this.

11 MR. THOMPSON: This is an issue that comes up
12 year after year, so we do have to get some policy there on
13 the transition point on how to handle this under Proposition
14 13.

15 There are a couple of other issues we'd like to
16 bring up in this appeal also. There is the question that
17 we believe all these new reserves should go in at the year
18 in which they actually show up. In other words, you
19 take the previous year's extrapolation of how the revenue
20 came in, any difference in a year goes in that, and use that
21 particular year's discount factor. Most of these reserves
22 are at the end. They use an average discount factor, which
23 in effect moves the value up much further in the life, and
24 therefore they're higher value. We don't think that's
25 actually the way the Board of Equalization Rule 468 should

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1 have been applied. We've talked to staff members on that
2 and they tend to agree with us on that.

3 // Another question, of course, is the argument of
4 whether crude oil and gas prices are used as of lien date.
5 That's an open issue.

6 Then another major issue with us is the
7 capitalization rate. It's really the discount rate against
8 this cash flow. They use about twelve per cent actual
9 discount and then add a little over one per cent for taxes.
10 I think this doesn't really reflect the cost of money at
11 risk. No bank is going to loan you money to buy a property
12 at twelve- or thirteen-percent interest, and there is a
13 certain risk involved with the properties, an environmental
14 risk. So we think that capitalization rate is completely
15 out of line.

16 So it would be our recommendation that we be
17 allowed to appeal this with the rest of the participants in
18 the Long Beach Unit.

19 ACTING CHAIRPERSON BELL: Thank you.

20 MR. ACKERMAN: How much money are we talking
21 about?

22 MR. THOMPSON: Potentially, this could be a
23 million dollars. In other words, if this added reserve
24 portion could be reduced to what we think is reasonable, if
25 you take a hundred million dollars off in the added reserve

1 portion, that would add up to a million dollars at one
2 per cent.

3 MR. ACKERMAN: No objection.

4 ACTING CHAIRPERSON BELL: Without objection, then,
5 we will authorize necessary action towards filing an
6 application for reduction.

7 I believe, Mr. Thompson, you also have item 34.

8 MR. THOMPSON: Yes. At the time this 1978-79 plan
9 and budget was prepared in February 1978, we had to provide
10 at that time two estimates of revenue because of crude oil
11 pricing uncertainties. That was because the entitlements
12 adjustment that the DOE had made in January of 1978 had had
13 no impact on our getting ceiling prices. We were still
14 lagging about 60 or 70 cents below ceiling price.

15 After the budget was adopted, in June they made a
16 further adjustment, which then allowed ceiling prices to go
17 up, so we did get the higher revenue that we had placed in
18 the estimate. All this is is just summation of our
19 expenditures and revenues. It's just a final closing.

20 ACTING CHAIRPERSON BELL: A closing statement.

21 MR. THOMPSON: We recommend your approval of it.

22 ACTING CHAIRPERSON BELL: This is not yet getting
23 into a 1979 expenditure of --

24 MR. THOMPSON: I would like to talk to you about
25 this year's budget when you clear this item.

1 ACTING CHAIRPERSON BELL: Well, it's not before us
2 at this time. If you are going to spend more money, I don't
3 want to hear too much about it.

4 (Laughter.)

5 MR. THOMPSON: I would impose on you to listen to
6 me for a few minutes, because we need a little direction.

7 ACTING CHAIRPERSON BELL: I'll tell you what:
8 why don't we take our action on this item first?

9 MR. THOMPSON: Very good.

10 ACTING CHAIRPERSON BELL: Mr. Northrop, did you
11 have a comment?

12 MR. NORTHROP: No.

13 ACTING CHAIRPERSON BELL: Any objection on item
14 34?

15 MR. ACKERMAN: No objection.

16 ACTING CHAIRPERSON BELL: Without objection, then,
17 item 34 is approved.

18 Now, Mr. Thompson, do you want to tell us about
19 any 1979-80 problems?

20 MR. THOMPSON: Again, when we prepared this year's
21 budget, which we had to do in February, we were a little bit
22 uneasy again about oil pricing and inflation. For inflation
23 we put in eight per cent as a cost escalation. We were very
24 optimistic at that time. We know currently, of course, that
25 it's now running thirteen to fourteen per cent. By the time

1 it gets out to actual costs to us with the ripple effect it
2 will probably be as high as twenty per cent later on this
3 year. This is of necessity going to require some
4 augmentation to cover that.

5 However, on the positive side crude oil price
6 increases are coming on very well. Because of this
7 particular trend in release, earlier we had increased our
8 drilling rigs from the three that were in the original plan
9 and budget to five. Now we've had even more recent
10 developments in the decontrol of heavy oil and the proposed
11 decontrol of upper tier at 4.6 per cent per month.

12 Based on this, our recommendation would be that we
13 add another drilling rig in about 30 days and buy additional
14 drilling equipment so we can augment another rig about the
15 end of the next quarter. All of these will add up to an
16 expenditure of about fifteen to twenty million dollars.
17 We'd like to get some direction from you and some feeling
18 so that we can bring an augmentation in next month for this.

19 ACTING CHAIRPERSON BELL: Is the purpose behind
20 this, particularly in adding the additional rig, to speed
21 up drilling since we're getting better prices for oil and
22 it's now economically in our interest to produce it? Will
23 this mean that we will expand the production of our field
24 and produce more oil for the economy?

25 MR. THOMPSON: Yes. We definitely think that this will

1 accelerate the oil production and add additional reserves.
2 We think this is consistent with the commission's policy
3 that you set a couple of years ago when you said you will
4 tend to plow back a reasonable amount of all additional
5 revenues you get from crude oil price increases.

6 We project that the lower-tier release to upper
7 tier and the monthly crude oil price increases, which now
8 are running at 9.2 per cent per year, will collectively add
9 up to about a 21-per-cent-per-year increase in crude oil
10 prices, which should offset that portion of the cost
11 increase coming up because of inflation, plus the plowback
12 for additional drilling wells.

13 ACTING CHAIRPERSON BELL: The additional drilling
14 wells -- would you want to put any estimate at all on what
15 your additional production might be in terms of barrels?

16 MR. THOMPSON: Hopefully, we will be able to slow
17 down the decline in the unit. Whereas before we were
18 declining at almost 12 per cent per year, we've recently
19 flattened that to 8 per cent per year, and hopefully, we
20 will be able to flatten it even further.

21 At the present time -- I've forgotten, but I think
22 we're currently producing over 10,000 barrels a day more now
23 than we would have been if we hadn't started -- as I recall,
24 almost a year and a half ago the commission came in and
25 started augmenting funds for additional activity and

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1 additional rigs. I think right now we are at least 10,000
2 barrels a day ahead of the trend that we were following before.
3 In the future, I think we will do the same. We will be
4 flattening this trend and definitely adding future reserves.

5 ACTING CHAIRPERSON BELL: Over a five-year period
6 or something like that, you're anticipating the possibility
7 of maintaining the field in production without a decline in
8 rate?

9 MR. THOMPSON: I can't exactly say that, but I
10 can say that normally -- we've taken a look at projects, and
11 now with crude oil pricing the way it is, we're probably
12 looking at payout of investments now probably at around the
13 two-year range. So we're only deferring two years, and then
14 you'll get your payback plus the incremental after that.

15 So as we start this leapfrogging process, every
16 well we drill now is a sunk fund now recovered in two years,
17 but giving additional revenue in the future. The revenue
18 return in the future should be large in this particular
19 case.

20 I believe Mr. Lamont also told you about the
21 Synfuels Bill. The definition there is for 20 degrees API.
22 Again, this gives you an inkling of what he was referring to.
23 There may also be some relief under the heavy oil. Again,
24 there may also be relief somewhere in the excise tax portion.

25 So it all looks very favorable now, and we

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1 certainly would like to go ahead with this type of
2 expansion.

3 ACTING CHAIRPERSON BELL: So it becomes much more
4 logical to spend more money in our drilling effort.

5 MR. THOMPSON: Yes. We think this is definitely
6 the time to really go.

7 ACTING CHAIRPERSON BELL: I can remember three,
8 four years ago when we were sitting on the federal
9 government not even giving us as much as they gave every-
10 body else in the country, and it was becoming rapidly
11 unprofitable to even produce.

12 MR. THOMPSON: Well, at that time we couldn't
13 even see payouts at all. With frozen crude prices and
14 inflation, we actually had a loss in crude value all the
15 time, so sometimes we got the infinite payout on it.

16 MR. NORTHROP: Our situation, Mr. Bell, still is
17 that of the 160 largest producers in the United States,
18 we're number 19, but our income per barrel is more than
19 two dollars a barrel less than the lowest income of the
20 other 160 largest producers. So we're still in bad shape.

21 ACTING CHAIRPERSON BELL: That's really an
22 excellent incentive for us to produce oil, isn't it?

23 MR. THOMPSON: I take it that we'll go ahead and
24 bring in an augmentation next month?

25 ACTING CHAIRPERSON BELL: Why don't you at least

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1 bring it in, yes.

2 MR. THOMPSON: Very good.

3 ACTING CHAIRPERSON BELL: Thank you, Mr. Thompson.
4 Item 35, mineral extraction lease.

5 MR. NORTHROP: Mr. Chairman, this is a mineral
6 extraction lease by competitive bid. The successful bidder
7 was the Olin Jones Sand Company.

8 ACTING CHAIRPERSON BELL: This would authorize the
9 issuance of a mineral extraction lease on 474 acres of tide
10 and submerged lands in Carquinez Straits, Solano and Contra
11 Costa Counties. I have an appearance request by F.J. Hortig,
12 consulting engineer for the sand company.

13 Mr. Hortig, did you merely turn this in to
14 indicate that you are here in case there were any questions,
15 or did you wish to protest the item?

16 MR. HORTIG: No, sir, Mr. Chairman. I am
17 F.J. Hortig, and I submitted the slip only to indicate I am
18 in attendance and would be available to answer questions if
19 any.

20 ACTING CHAIRPERSON BELL: Thank you. I asked
21 because I thought you probably wouldn't be that familiar
22 with the activities of State Lands Commission.

23 (Laughter.)

24 ACTING CHAIRPERSON BELL: To set the record set,
25 Mr. Hortig was the executive officer of the State Lands

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1 Commission for -- how many years?

2 MR. HORTIG: Thirteen.

3 ACTING CHAIRPERSON BELL: Thirteen years.

4 Is there any objection to issuing the mineral
5 extraction lease? Any comments?

6 MR. NORTHROP: No.

7 MR. ACKERMAN: No problem.

8 ACTING CHAIRPERSON BELL: I have no problem, so
9 item 35 will therefore be approved without objection.

10 Item 36, geothermal resources lease.

11 MR. NORTHROP: Mr. Chairman, this is for the
12 denial of an existing application for a prospecting permit
13 and a denial of a prospecting permit extension. This area is a
14 geothermal area that has had prospecting permit applications
15 and one prospecting permit on it which now has expired --
16 or we're asking for a denial of an extension.

17 Staff feels that this area is in an area that is
18 unquestionably a geothermal producing area, and we feel that
19 this area could better serve the state if it were put out
20 for a competitive bid, as we have in the past on known
21 geothermal areas.

22 You have in front of you a letter from one of the
23 holders of the prospecting permit, the attorney for the
24 Northern California Power Agency. They request that this be
25 postponed. Staff brings this to your attention, but

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1 respectfully recommends that we continue with the calendar
2 item. The substance of the letter indicates that in fact
3 there is a geothermal discovery immediately adjacent to the
4 parcel.

5 For that reason, we ask that the commission follow
6 the staff recommendation and deny the permits and the
7 extension and allow staff to proceed with a competitive bid
8 proposal.

9 ACTING CHAIRPERSON BELL: I have, Mr. Northrop,
10 two requests to appear on the item: one from the attorney
11 representing the Northern California Power Agency, who also
12 sent in the letter; and the other is Mr. C.E. Woods from
13 Aminoil. Why don't we hear first from the Northern
14 California Power Agency?

15 MR. McDONOUGH: I'm Bruce McDonough, Mr. Chairman.
16 I brought Dave Tuttelman, who is an attorney for the agency,
17 and Joseph Padilla, who is an engineer with the company.

18 I should point out that the letter is not really
19 from me, but from Mr. Martin McDonough of the same office.

20 The Northern California Power Agency, as you see
21 from that letter, is a joint-powers agency of the state made
22 up of 11 cities in Northern and Central California. The
23 agency was formed so that these entities could look for and
24 develop new sources of energy for their inhabitants.

25 As part of this development program, they entered

1 that are easily gotten to. Now, obviously we're going to
2 take those first because of the fact that that's the least
3 expensive rock for us to get on to the breakwater. So good
4 business sense says that that's our first major priority.
5 However, when you take out some of these words that make it
6 somehow we can be caught up into a mining operation trying
7 to get to the base of a rock that only the tip of which is
8 sticking through the sand and we spend all of our money --
9 we've only got budgeted approximately ten to \$12,000 for
10 this rock removal and movement. So it could be a limiting
11 factor to us.

12 CHAIRPERSON CORY: We now have a motion amended
13 at this point with "readily" removed, "accessible"
14 becoming --

15 MR. BELL: Taking into consideration both the
16 objection from the audience and from the Harbor District
17 representative, I would like to reamend that wording to
18 say "should utilize all movable rocks." I don't want to
19 make it too easy, but I don't want to have to make them
20 dig the whole thing up in order to get it. I don't want them
21 to mine it.

22 MR. ALDERSON: Mining would be a --

23 MR. SCOTT: Wait a minute.

24 CHAIRPERSON CORY: I think the record should
25 reflect that I think that there's a clear indication on all

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1 the Commissioners that nobody is contemplating quarrying or
2 mining of rock.

3 MR. LYTTON: That's my understanding.

4 MR. BELL: And if you gentlemen can help me with a
5 better wording, --

6 EXECUTIVE OFFICER NORTHROP: May I suggest
7 "reasonably" as a word that might be --

8 MR. BELL: Reasonably what?

9 EXECUTIVE OFFICER NORTHROP: "Reasonably
10 accessible."

11 CHAIRPERSON CORY: If we have --

12 MR. BELL: "Surface rock that's accessible."

13 MR. PRATTE: What was the question?

14 EXECUTIVE OFFICER NORTHROP: They're still
15 working on it.

16 CHAIRPERSON CORY: "That prior to using the
17 intertidal rock the district should utilize all movable
18 surface rocks located landward..."

19 MR. BELL: And I don't want them to have to dig
20 anything up anywhere, you know. I want them to be able to
21 pick up anything that they can get their hands on above the
22 intertidal zone.

23 MR. PRATTE: I would think it would be reasonable
24 to go for that rock movable surface rock, first; however,
25 prior to any removal of rock from the reef, I think it

1 should be investigated: What is below the surface at the
2 mouth of gulch? It hasn't been investigated.

3 CHAIRPERSON CORY: I understand that point and
4 I think the Commissioners understand it and I think we've
5 come to a different conclusion. We understand your
6 viewpoint and we're about to reject it at this point.

7 MR. PRATTE: I just wanted to make it clear that
8 if it was interpreted that the surfing community agreed
9 with the way the conditions are going, and we --

10 CHAIRPERSON CORY: We understand. I think we
11 understand that this does not contemplate solving all of
12 your problem or perhaps any of it.

13 CHAIRPERSON NORTHOP: Mr. Chairman, the Manager,
14 Dwight Sanders, of our Environmental and Planning Section
15 has made a suggestion for your consideration.

16 MR. SANDERS: Mr. Chairman, in A perhaps changing
17 in effect four words reading as follows: "That prior to
18 using intertidal rock the district shall utilize and
19 then crossing the word, eliminating the words "readily
20 assessible" or "assessible and" so that it would read:
21 "That prior to using intertidal rock the district shall
22 utilize all suitable rocks located landward..."

23 MR. BELL: No matter how deeply they're buried?

24 MR. SANDERS: Well, that, Mr. Bell, I think
25 perhaps would be under the definition of "suitable." Now, --

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1 MR. BELL: It's not to me.

2 MR. SANDERS: -- suitable rock may be governed
3 or could be governed by the same definitions as the Corps.

4 MR. BELL: Do we have a Corps word of art that
5 fits "suitable"?

6 MR. HADLY: Mr. Chairman, David Hadly again.

7 I think suitable is meant to include Corps
8 specification for rock.

9 MR. BELL: How about suitable to be used in a
10 breakwater?

11 MR. SANDERS: That's correct.

12 MR. HADLY: Yes.

13 MR. BELL: It doesn't have any reference to where
14 it lies when you pick it up?

15 MR. HADLY: That's correct.

16 CHAIRPERSON CORY: But if we use the suitable
17 and then add just a simple sentence that this does not
18 contemplate mining.

19 MR. BELL: Right.

20 MR. SANDERS: Yes, sir.

21 MR. BELL: I don't want mining anywhere. I don't
22 want it in the reef.

23 MR. PRATTE: Could there be guidance from the
24 Commission to encourage the Harbor District to pursue all
25 reasonable alternatives for which they do not at this time

1 have a permit for?

2 MR. BELL: For which they do not have a permit
3 for.

4 MR. PRATTE: That is the rocks which we have
5 recommended as alternatives which have not been investigated
6 and evaluated and which --

7 MR. BELL: Not in the assignment.

8 MR. PRATTE: Which are feasible alternatives.

9 MR. BELL: Mr. Northrop.

10 EXECUTIVE OFFICER NORTHROP: Yes, sir.

11 MR. BELL: The question raised indicated that there
12 were rocks south of --

13 CHAIRPERSON CORY: No Pass.

14 MR. BELL: -- No Pass.

15 MR. PRATTE: South of Deadman's Gulch and between
16 Deadman's Gulch and No Pass.

17 MR. BELL: We are dealing today with the
18 assignment of the lease.

19 EXECUTIVE OFFICER NORTHROP: Right.

20 MR. BELL: Does that assignment include this area?

21 MR. SCOTT: I don't believe so.

22 EXECUTIVE OFFICER NORTHROP: I don't believe so.
23 Mr. Hadly, would you care to address it? I don't think it
24 does.

25 MR. HADLY: Mr. Bell, the best estimate that we

1 have in evaluating the '78 Coastal Permit in consultation
2 with Rick Rayburn from the Regional staff is that the
3 '78 permit would allow rock removal from above mean high
4 tide between the breakwater down the beach to Deadman's
5 Reef, and there's not a lot of rock there, and also the
6 area immediately above mean high tide at Deadman's Gulch but
7 no further down the beach.

8 MR. BELL: So it is outside of their present
9 permit area.

10 MR. PRATTE: Yes. And it's within the lease or
11 within the area of the cove which is being leased to the
12 Harbor District.

13 CHAIRPERSON CORY: We have a motion and a redraft
14 before us --

15 MR. BELL: Of A.

16 CHAIRPERSON CORY: -- of A.

17 MR. SCOTT: Mr. Cory, may I say something, please?

18 Your recommended wording on A is permissible with
19 the district. Our concern now is Mr. Lytton's modification
20 or amendment of the motion to include a fifth condition which
21 is not included in the written staff report to us; and that
22 is dealing with the size of the rock. Our understanding is
23 the Corps --

24 CHAIRPERSON CORY: The size of the rock is
25 included in 8-C of the written agenda.

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MR. SCOTT: Oh, we don't have that.

MR. ALDERSON: That is not in ours.

MR. BELL: Revised 7/11.

MR. SCOTT: Oh. We have not received that. I'm sorry.

It is our understanding that the Corps is using the 24-inch figure as an average. Mr. Hadly indicates that his impression was that that's a maximum. We're not really sure at this meeting. What I'm fearful of --

CHAIRPERSON CORY: You want to put it over?

MR. SCOTT: No. What I'm suggesting is, if that's a limitation put on by the Corps which obviously it is, that that condition be removed as to maximum or average input and add that prior to any removal that we have a Corps permit and that Corps permit will then take that into consideration.

CHAIRPERSON CORY: It seems to me that that permit, that limitation there makes me far more comfortable as a Commissioner to vote for it, that we are specifying in fact that you are getting 570 of something of a very specific nature rather than what else might be going on. If that's a problem, it seems to me we ought to talk because I understand what that means and if we pull it out and leave it to the Corps of Engineers, those are the same wonderful folks who give us levee stripping and their

1 judgment is lacking in certain areas and I'm not willing to
2 just go with whatever the Corps of Engineers want to do.
3 I've worked for them. There's some good people there.
4 One of the best jobs I ever had in my life was the Corps
5 of Engineers. I should have stayed where I was I guess.

6 (Laughter.)

7 MR. PRATTE: Mr. Cory, I believe from my
8 conversations with the permit analyst at the Corps of
9 Engineers, they were recommending a 24-inch minimum size,
10 not to go below smaller than 24 inches. I've heard this
11 maximum. I don't understand. It's incomprehensible to me.

12 CHAIRPERSON CORY: I think if you walk away from
13 this thinking about it, I think I would believe that your
14 interests are better served by having a 24-inch maximum
15 rock size in there than not having it.

16 MR. PRATTE: Yes. I would like to understand
17 what it says and what it means.

18 CHAIRPERSON CORY: I know what it means and I
19 believe the other Commissioners do. I think it's about
20 time for we as Commissioners to decide what we're going to
21 do with this and move on with the rest of the agenda.
22 If you have any other specific questions, Commissioners,
23 any other points of clarification, we'll try to deal with
24 them. Otherwise, I think we ought to proceed. We've
25 agonized over this probably more than it should have been

1 agonized over.

2 Are you ready for a vote?

3 MR. TROUT: Mr. Chairman, the staff clarifies to
4 exactly what version it is we're now going to put in the
5 permit that the Commission is voting on. What staff now
6 has is:

7 "That prior to using intertidal rock
8 the district shall utilize all suitable
9 rocks located landward..."

10 EXECUTIVE OFFICER NORTHROP: And then a mining
11 phrase.

12 MR. TROUT: And then the condition --

13 CHAIRPERSON CORY: That this does not contemplate
14 mining.

15 MR. BELL: This does not contemplate mining.

16 EXECUTIVE OFFICER NORTHROP: I think we're pretty
17 clear on the motion.

18 MR. PRATTE: I had a suggestion brought to me as
19 far as the size limitation. Perhaps there could be a 24-inch
20 minimum size above mean high water and a 24-inch maximum
21 size below mean high water.

22 CHAIRPERSON CORY: Any Commissioners wish to amend
23 anything any further?

24 MR. BELL: Well, we're dealing with a northerly
25 one-half of the intertidal zone when we speak of the 24-inch

1 maximum.

2 MR. PRATTE: Okay.

3 MR. BELL: So I think that covers your question.
4 I'm not sure.

5 MR. PRATTE: Yes, that is clarified.

6 CHAIRPERSON CORY: Okay. Are we ready for a vote?

7 All those in favor, signify by saying aye.

8 (Ayes.)

9 CHAIRPERSON CORY: Motion is carried.

10 MR. ALDERSON: Thank you, gentlemen, for your
11 patience.

12 CHAIRPERSON CORY: Item 2 is off calendar; is that
13 correct?

14 EXECUTIVE OFFICER NORTHROP: That's correct,
15 Mr. Chairman. So is Item 3.

16 CHAIRPERSON CORY: Item 3 is off calendar?

17 EXECUTIVE OFFICER NORTHROP: Yes, sir.

18 CHAIRPERSON CORY: Item 4, Decon Corporation.

19 This is reinstatement of a lease and a consent to assign and
20 amend the commercial lease governing .61 acre parcel,
21 Sunset Bay, Orange County.

22 Anybody in the audience on this item?

23 Without objection, Item 4 is approved as presented.

24 Item 5, authorize approval to develop and sign an
25 agreement with Union Oil. This is for an EIR for four

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1 exploratory wells off of Point Conception, Santa Barbara
2 County.

3 Anybody in the audience on this item?

4 MR. BELL: I understand this to be a reinstatement
5 agreement which Union Oil with an EIR?

6 EXECUTIVE OFFICER NORTHROP: That's correct.

7 CHAIRPERSON CORY: Questions from members?

8 Without objection, Item 5 will be approved as
9 presented.

10 Item 6, authorization to offer for competitive
11 bid a five-year mineral extraction lease, Carquinez Straits,
12 Solano which is, what, sand and gravel?

13 Anybody in the audience on this item?

14 Without objection, Item 6 will be approved as
15 presented.

16 Item 7, approval of principal of an exchange of
17 State-owned lands. This is down on the Colorado River where
18 some farmers are trying to help us solve our ownership
19 problems and this will enable them to proceed. It seems to
20 be a worthwhile step in the right direction to solving some
21 naughty title problems.

22 Is there anybody in the audience on this item?

23 Have I already prejudiced everyone?

24 Questions from Commissioners?

25 Without objection, --

1 MR. BELL: No objection.

2 CHAIRPERSON CORY: -- approval in principal will
3 be granted as staff recommended.

4 Item 8, denial without prejudice of various
5 applications for use of State-owned properties as set forth
6 in 1200. These are where we're running up against a time
7 permit.

8 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
9 Mr. Trout has got some deletions from the list.

10 MR. TROUT: Mr. Chairman, since the preparation of
11 the calendar item, five of the ten applicants have come in
12 and granted the Commission and staff a 90-day extension on
13 processing. Most of these have now indicated they will
14 agree to terms. So on page 48 of your agenda, we would like
15 to remove from the action the second, third, and fourth
16 items, Jackson, Fathom 8 and Jonsson, J-o-n-s-s-o-n, and
17 the last two items on the page, Pierce and Kase. That would
18 leave Wilcoxson, Dondero, the City of Stockton, and
19 Orantes as the items that you are denying the application
20 without prejudice.

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
22 believe there's someone in the audience who cares to speak.

23 CHAIRPERSON CORY: Yes, sir. Could you identify
24 yourself for the record?

25 MR. ORANTES: My name is Louis Orantes. I'm

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1 WP 3378.

2 I have a recreational walkway and a boat hoist
3 down on Sandy Beach Road. I do not have a recreational
4 floating boat dock and I do not have a breakwater which is
5 what it says here. I was contacted by your office in '75
6 to renew my lease and I sent my check in and answered all
7 the questions. I sent a picture of the dock back and the
8 State kept my check, but they never sent me my lease.

9 CHAIRPERSON CORY: What say you, Mr. Trout?

10 MR. TROUT: The gentleman is correct. We're
11 in a time period where we have to either, the Commission has
12 to either deny or grant the lease. We have not worked out
13 the details of the lease, but this would be very similar to
14 Item 11. The recommendation is that it be denied without
15 prejudice. We would reinstate the gentleman's application
16 and go ahead and work on the lease and not require any more
17 money from them.

18 MR. HIGHT: One other option, Mr. Chairman, would
19 be that Mr. Orantes could give the Commission a 90-day
20 extension in which time perhaps we could arrive at some
21 solution.

22 MR. BELL: I'd be willing for that.

23 CHAIRPERSON CORY: Would a 90-day extension be
24 acceptable to you?

25 MR. ORANTES: Will I have to appear again in 90

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1 days?

2 EXECUTIVE OFFICER NORTHROP: No.

3 CHAIRPERSON CORY: No. We should be able to solve
4 it all by just getting the paper work to you.

5 MR. ORANTES: What seems to be the hangup?

6 CHAIRPERSON CORY: We're going to discover what
7 that is. If they took your money, they should give you a
8 lease. Is the 90 days agreeable to you, sir?

9 MR. ORANTES: Yes.

10 CHAIRPERSON CORY: Thank you, and I apologize for
11 the inconvenience.

12 MR. ORANTES: It's all right.

13 CHAIRPERSON CORY: So we've removed Mr. Orantes
14 from this list; is that correct?

15 EXECUTIVE OFFICER NORTHROP: Right.

16 CHAIRPERSON CORY: Okay. Anybody else in the
17 audience on these items?

18 Without objection, the amended list with the
19 denials without prejudice are hereby made.

20 Item 9, approval of a map and survey of deeded
21 trust grant. This is pursuant to a statute; is that
22 correct?

23 MR. HIGHT: Correct, Mr. Chairman.

24 CHAIRPERSON CORY: Any questions?

25 MR. BELL: No problem.

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1 CHAIRPERSON CORY: Anybody in the audience on this
2 item?

3 Without objection, approval is granted.

4 Item 10, authorize issuance of a supplementary
5 Letter of Understanding to PG&E for rental. This is to
6 accommodate for the low rental incomes and handle it on
7 an annual basis --

8 EXECUTIVE OFFICER NORTHROP: That's correct.

9 CHAIRPERSON CORY: -- rather than a quarterly
10 and that PG&E will probably be here and we can catch them.

11 EXECUTIVE OFFICER NORTHROP: They're not going to
12 go.

13 CHAIRPERSON CORY: Anybody in the audience on this
14 item?

15 Without objection, Item 10 will be approved as
16 presented.

17 Item 11, recreational, residential use permit for
18 submerged lands.

19 Is there anybody in the audience on this item?
20 Anything we should know about?

21 EXECUTIVE OFFICER NORTHROP: No, Mr. Chairman, I
22 think --

23 MR. TROUT: This is straightforward. This would
24 be the solution to the gentleman's problem.

25 CHAIRPERSON CORY: Okay. Any questions from

1 Commissioners?

2 MR. BELL: No problem at all.

3 CHAIRPERSON CORY: Without objection, Item 11
4 will be approved as presented.

5 CHAIRPERSON CORY: Item 13 which we removed from
6 the Consent Calendar, Burkhardt.

7 MR. TROUT: Mr. Chairman, I think that it would
8 be both in the essence of time and because they are similar
9 items, 13, 14 and 15 could be taken together.

10 CHAIRPERSON CORY: Okay.

11 MR. TROUT: The situation applies to all of these.

12 CHAIRPERSON CORY: What makes you think we care
13 about time? But go ahead.

14 MR. TROUT: Just giving you that option.

15 CHAIRPERSON CORY: Go ahead, let's take them all
16 up at once quickly.

17 MR. TROUT: The upland owner has apparently asked
18 the occupants of structures here to leave. There's a
19 dispute as to whether or not they have a right to remain.
20 What the Commission is doing here would be to authorize the
21 continued use of the structures. We would like to amend
22 each of these items to include the following condition.

23 This permit is issued concurrently with permittee's
24 rights, if any, to occupy the adjoining land or structures.
25 This permit shall automatically terminate if permittee's

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1 right to so occupy is terminated by act of law, judgment
2 or otherwise.

3 What has happened here is apparently a prior
4 representative of the upland owner granted permission for
5 these people to be here and now attempts are being made to
6 terminate that right. We're not trying to referee it, we're
7 just trying to legalize the trespassing.

8 CHAIRPERSON CORY: Okay. Any questions?
9 Anybody in the audience on these items?

10 Without objection, 13, 14 and 15 will be approved
11 as amended.

12 Do we have any other items to come before us?
13 16 we did on the Consent Calendar.

14 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, just
15 for the record, we will present for your consideration next
16 month a calendar item to authorize the Executive Officer to
17 issue short-term letter permits on an emergency basis to
18 applicants facing project funding or construction deadlines
19 much as we saw in the first three in the Executive Officer's
20 report this morning. We'll discuss it more at that time.

21 CHAIRPERSON CORY: Wanton power grab by bureaucracy.
22 (Laughter.)

23 EXECUTIVE OFFICER NORTHROP: I have written down
24 who was laughing.

25 MR. SANDERS: I've heard that before.

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1 (Laughter.)

2 CHAIRPERSON CORY: Okay. Is there anything else
3 to come before the Commission? Then after you get that
4 last paragraph, you won't need us any more? You won't
5 need to have meetings after that.

6 (Laughter.)

7 CHAIRPERSON CORY: Okay. We stand adjourned and
8 our next meeting is noticed in the agenda, I believe.

9 (Thereupon the State Lands Commission
10 Meeting was adjourned at 11:40 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

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I, CATHLEEN SLOCUM, a Certified 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, Cathleen Slocum, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF I have hereunto set my hand this 6th day of August, 1979.

Cathleen Slocum
CATHLEEN SLOCUM
Certified Shorthand Reporter
License No. 2822