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MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2170
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, FEBRUARY 28, 1980
10:00 A.M.

Delores I. Dalton
C.S.R. License 4691

PETERS SHORTHAND REPORTING CORPORATION

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MEMBERS PRESENT

1
2 Roy M. Bell, for Mary Ann Graves, Director of Finance,
Acting Chairperson

3
4 David Ackerman, for Lieutenant Governor Mike Curb,
Commissioner

STAFF PRESENT

5
6
7 William Northrop, Executive Officer

8 Robert Hight

9 W. M. Thompson

10 Don Everitts

11 Diane Jones

MEMBERS ABSENT

12
13
14 Hon. Kenneth Cory, State Controller, Chairperson

ALSO PRESENT

15
16
17
18 Jan Stevens, Attorney General's Office

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ACTING CHAIRPERSON BELL: I would like to call the meeting of the State Lands Commission to order.

Mr. Northrop, may I have the roll call, please.

EXECUTIVE OFFICER NORTHROP: Yes, sir.

Mr. Bell.

ACTING CHAIRPERSON BELL: Here.

EXECUTIVE OFFICER NORTHROP: Mr. Ackerman.

MR. ACKERMAN: Here.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we have a quorum.

ACTING CHAIRPERSON BELL: The confirmation of the minutes of the meeting of January 24th, 1980, are before us. May I ask if there are any technical corrections or other changes to the minutes required?

Hearing none, they will be confirmed.

Report of the Executive Officer, the next item.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, last September, I advised the Commission that we had been asked by the Governor's Office to study the feasibility of additional pipelines to transport anticipated heavy crude production throughout California to processing centers. Funding was to come through the Governor's Office, and the study was to be done within 60 days of funding.

1 Calendar Item No. 33 that we have before us
2 today concerns our role in this matter, and I have asked
3 to have it removed from the agenda.

4 I also sent a letter to Gray Davis on February
5 26, responding to his previous letter, suggesting that the
6 study presently under discussion would be best performed
7 by the Joint Industry/Government Pipeline working group.

8 As now defined, the study would concern itself
9 solely with production from the Santa Barbara Channel and
10 its transport, via pipeline, to the Los Angeles Basin.

11 Later on the 26th, we received an unofficial
12 request from the Governor's Office of Planning and Research
13 to again consider the study as initially defined. We will
14 continue to investigate and will return to you later with
15 the next installment of these discussions.

16 The letter that I did write to Mr. Davis in the
17 Governor's Office was in response, Mr. Chairman, to a
18 letter he had written me back in the latter part of last
19 year.

20 ACTING CHAIRPERSON BELL: Thank you. I assume
21 you are ready to move on it as soon as --

22 EXECUTIVE OFFICER NORTHROP: Yes, I am ready to
23 move on it as soon as the Office of Planning and Research
24 decides that that is the program they wish to follow.

25 ACTING CHAIRPERSON BELL: You may have referred
to the wrong agenda item.

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EXECUTIVE OFFICER NORTHROP: Did I say 38?

ACTING CHAIRPERSON BELL: 33.

EXECUTIVE OFFICER NORTHROP: I'm sorry. 38,
Mr. Chairman, is off calendar.

That completes my report, Mr. Chairman.

ACTING CHAIRPERSON BELL: Thank you.

Mr. Ackerman, a question?

MR. ACKERMAN: Mr. Northrop, what is the estimated
cost of the study?

EXECUTIVE OFFICER NORTHROP: We feel that the
study will cost somewhere in the area of about \$60,000.
What we anticipated to do in the overall study originally
was to look at the reserves and the production capabilities
and the timing of new and existing crude-oil production
in both the Santa Barbara area north to perhaps Point
Concepcion or Point Arguello, where we are looking at some
leases, and consider, as well as our own leases in that
area, the federal offshore leases.

The Santa Barbara study group has already done
considerable work and has a report that has cost a con-
siderable amount of money covering Santa Barbara only and
the Santa Barbara offshore, federal largely. They have
not considered areas, the northern extremities of the
Santa Barbara coastal area.

ACTING CHAIRPERSON BELL: Including the reserves?

1 EXECUTIVE OFFICER NORTHROP: Right. The
2 reserves have not been estimated in that report, Mr. Bell.
3 They have not looked at reserves in the transport or the
4 production timing.

5 We intend to look more at the reserves and
6 production timing there as well as with the decontrol of
7 heavy crude oil and the, now we understand, exemption,
8 a special treatment of heavy crude oil in the windfall
9 profits tax concept, that it well may be that there will
10 be more heavy crude produced in the San Joaquin Valley which
11 will require transportation.

12 So what we are attempting to do is to formulate
13 at least a scenario as to what oil will be produced, the
14 volumes, and where the likely bottlenecks will be for getting
15 that oil in the market so that we don't run into a problem
16 in California where we have oil produced and the marketing
17 situation severely -- the ability to get it to a meaningful
18 refining center severely limited.

19 Since this proposal -- and I don't mean to ramble
20 on on your question, but if I may just add one other point.

21 MR. ACKERMAN: Sure.

22 EXECUTIVE OFFICER NORTHROP: Since the proposal
23 was made originally in October, we have had, recently had
24 enter a new player into the picture, and that is a corpora-
25 tion known as the Pacific Pipeline Corporation in which

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1 they anticipate, according to their press releases and
2 early information, that they would like to take the Kern
3 County production and move it to the mid-continent.

4 If that proceeds, it may well make anything we
5 do in the San Joaquin or in this study non sequitur to the
6 real world because if that happens, then that may be the
7 market for the Kern County/Bakersfield -- the new heavy
8 oil. That may well be the marketplace that gets it, and
9 California could lose that production.

10 Whether or not that is of benefit or not, I think
11 that is something that industry has to do decide. But that
12 is where we are coming from, Mr. Ackerman.

13 MR. ACKERMAN: Is the State at all considering
14 building and owning pipelines themselves?

15 EXECUTIVE OFFICER NORTHROP: For my concern, no.
16 What we are attempting to do -- my concern is really quite
17 provincial. We have some leases, as you know, or potential
18 areas that we would like to lease. I would like to have
19 a way to get that oil that the state lands produces to
20 market and to not be set with a situation where, after we
21 produce it, we have to load it on barges and haul it back
22 on the water again somewhere. I think that is my main
23 concern.

24 But the reason the Kern County study came in
25 initially is that if we are going to do that, we should

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1 also look at the overall picture and not treat that area
2 of the coast separately but as far as I am concerned, my
3 aspect of it, at no time did we indicate that we wanted
4 to build a line or do that kind of thing.

5 We were just doing a study as to where the oil
6 was and the possible availability of pipelines to get it
7 to market.

8 MR. ACKERMAN: I think along those lines I would
9 probably want to make sure that the Lands Commission then
10 is the lead agency on any pipeline study, even though it
11 would involve the Office of Planning and Research or the
12 Energy Commission or whoever else.

13 But as a single agency, I think the Lands
14 Commission should at least have the final say on a study,
15 so that it couldn't be held up if there was some disagree-
16 ment down in bureaucracy over the conclusions to the study.

17 EXECUTIVE OFFICER NORTHROP: In that case, Mr.
18 Chairman, Mr. Ackerman, I will redirect another letter to
19 Mr. Davis indicating the Commission's feeling that we should
20 proceed with this, particularly with our coastal area, if
21 at all possible. If that is the feeling of the Commission.

22 ACTING CHAIRPERSON BELL: Is there a difference
23 between a lead agency and an agency of concern? I don't
24 quite know how to express that.

25 EXECUTIVE OFFICER NORTHROP: I will refer that

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1 to the Attorney General.

2 MR. STEVENS: Mr. Chairman, lead agency is a word
3 of art when applied to EIR's and FIS's, and that is the
4 manner in which it has customarily been applied.

5 In this case, I'm not sure that it is. If the
6 intent is that the Lands Commission shall have the lead
7 and be able to guide and determine contours of any project
8 of this sort, I think lead agency is still the proper term.

9 ACTING CHAIRPERSON BELL: At least in terms of
10 our own interests.

11 EXECUTIVE OFFICER NORTHROP: That's correct.

12 ACTING CHAIRPERSON BELL: All right.

13 Mr. Northrup, I have a question that I probably
14 should know the answer to but don't. I've read in the
15 papers that the Joint Conference Committee of Congress has
16 settled the excess profits bill, but that it would not
17 appear in the Register for about ten days in detail.

18 Do you have any information out of Washington
19 as to its impact on California oil?

20 EXECUTIVE OFFICER NORTHROP: I had a conversation
21 with our staff in Washington, our attorneys in Washington,
22 yesterday, and they indicated to me that the language as
23 it went out of Conference, and went for concurrence and
24 amendments to both houses -- they may have a different
25 name for it, but that's what we call it here -- contained

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1 the language that the Senate bill carried, which means that
2 the language would give us the benefit of the public use
3 of the money.

4 I have been informed by the Chairman, Mr. Cory,
5 that he plans to be in Washington next Monday to make sure
6 that the concurrent language doesn't get changed in the
7 concurrent setup.

8 So we will know more probably by this time next
9 week.

10 ACTING CHAIRPERSON BELL: Thank you.

11 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, in
12 addition, if I may --

13 ACTING CHAIRPERSON BELL: Yes.

14 EXECUTIVE OFFICER NORTHROP: Item C1 is off
15 calendar and Item 12 is off calendar, and I think we have
16 handled Item 38.

17 ACTING CHAIRPERSON BELL: Give me a little time
18 on that.

19 EXECUTIVE OFFICER NORTHROP: Right.

20 ACTING CHAIRPERSON BELL: C1 and C12 are off
21 calendar?

22 EXECUTIVE OFFICER NORTHROP: C1 and 12 are off
23 calendar. 12 is a regular calendar item.

24 ACTING CHAIRPERSON BELL: And C38 is also
25 a regular calendar item?

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EXECUTIVE OFFICER NORTHROP: Right.

ACTING CHAIRPERSON BELL: All right.

The next item on the agenda is the staff report on the State Coastal Commission.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I am informed that our representative to the Coastal Commission has nothing to report at this time.

ACTING CHAIRPERSON BELL: All right.

We will now go to the Consent Calendar which is C1 through C11. C1 is off calendar, so it will be C2 through C11.

Are there any objections to handling these as a Consent Calendar? If there are objections, they will be pulled off and added to the regular calendar. If not, they will be handled as a single item.

Hearing no objection, we have C2 through C11 before us as the Consent Calendar.

MR. ACKERMAN: So move the items.

ACTING CHAIRPERSON BELL: Second.

All in favor say aye.

(Ayes.)

ACTING CHAIRPERSON BELL: Opposed.

They are approved.

We now go to the regular calendar with C12 off.

We now go to C13.

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1 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
2 Item 13 on the regular calendar is a settlement with the
3 Richmond Sanitary Service and the City of Richmond and
4 State Lands Commission. Mr. Hight and the Attorney General
5 will address that item.

6 ACTING CHAIRPERSON BELL: Mr. Hight.

7 MR. HIGHT: Yes, Mr. Chairman.

8 This is an action by which the Lands Commission
9 is settling one of its cases. We hold clear title to
10 approximately 293 acres and in return we have received 153
11 acres plus \$100,000 to be used in land banking.

12 In addition, we will convey another 73 acres but
13 retain the easement over those acres.

14 The Defendant in this case, Richmond Sanitary
15 Service, has not at this moment executed the agreement.
16 The reason for this hesitation is the recent Supreme
17 Court decision in the Murphy case, which we will discuss
18 in detail later, and they are looking at this settlement
19 in light of that case.

20 They have indicated to us at the present time
21 that they are still in agreement as to principal. There
22 may be some minor language changes in the agreement, but
23 other than that, it still seems to be on track.

24 ACTING CHAIRPERSON BELL: Is there someone here
25 who would like to testify on this item?

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1 MR. HIGHT: This is Pat Peterson. She's with
2 the Attorney General's office and handled the case.

3 ACTING CHAIRPERSON BELL: Does the Attorney General's
4 representative wish to comment?

5 MS. PETERSON: We think the settlement would be
6 in the best interest of the State at this time. As Mr.
7 Hight has mentioned, there are minor language differences
8 right now between Richmond Sanitary Service and the State.

9 However, we are in substantial agreement, and
10 we will come back before the Commission if there are any
11 significant changes.

12 If there are any questions, I will be glad to
13 answer them.

14 MR. ACKERMAN: Does the Richmond Sanitary Service
15 want the Commission to go ahead and act now, even though
16 there are language differences?

17 MS. PETERSON: Yes.

18 MR. SANDERS: If I may, Mr. Chairman. My name
19 is Jay Sanders. I'm here for the Richmond Sanitary Service.
20 Yes, we do.

21 ACTING CHAIRPERSON BELL: I assume if they are
22 nonsubstantive changes that this will not have to be brought
23 back.

24 MR. SANDERS: I don't contemplate any.

25 MR. ACKERMAN: I will so move the item.

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1 ACTING CHAIRPERSON BELL: And I will second it.

2 All in favor say aye.

3 (Ayes.)

4 ACTING CHAIRPERSON BELL: Opposed.

5 Item 13 is approved.

6 MISS PETERSON: Thank you.

7 ACTING CHAIRPERSON BELL: Item 14, Humboldt Bay
8 Harbor Recreation and Conservation District. This is an
9 old favorite.

10 EXECUTIVE OFFICER NORTHROP: Yes, Mr. Chairman.
11 This is the third time this has been before the Commission.

12 We believe now that the Humboldt Bay Harbor
13 District and the private owners in the upland area of the
14 Coastal Commission and those people who use that area for
15 recreational purposes have come to an agreement, and the
16 resulting agreement is this calendar item.

17 The staff would recommend approval.

18 ACTING CHAIRPERSON BELL: All right. Is there
19 anyone here to appear on this item?

20 Hearing no objection --.

21 MR. ACKERMAN: Is this anticipated to be a final
22 resolution?

23 EXECUTIVE OFFICER NORTHROP: Yes, sir, it is.
24 So was the last one.

25 (Laughter.)

1 MR. ACKERMAN: So moved.

2 ACTING CHAIRPERSON BELL: All right. I second
3 it.

4 Without objection, Item 14 then is approved.
5 Item 15, leases and permits.

6 EXECUTIVE OFFICER NORTHROP: This is an applica-
7 tion for an industrial permit by Ball, Ball and Brosamer
8 for a temporary concrete batch plant site in Imperial
9 County.

10 ACTING CHAIRPERSON BELL: All right.

11 EXECUTIVE OFFICER NORTHROP: The staff recommends
12 approval.

13 ACTING CHAIRPERSON BELL: No objection, Item 15
14 is approved.

15 Item 16, an assignment from Anza Shareholder's
16 Liquidating Trust to Zerimar Investment Company.

17 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
18 is, as you indicated, an assignment.

19 However, I understand the Attorney General has
20 some additional language he would like to add. Mr. Stevens
21 is looking for it now.

22 MR. STEVENS: Mr. Chairman, we have no problems
23 with the transaction; however, we have proposed that
24 several paragraphs be added to the Commission's resolution
25 to make it crystal clear that the bonded indebtedness on

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1 the leased parcel be retired prior to this assignment --
2 prior to execution rather -- and that the actual construc-
3 tion projects be reviewed by the Executive Officer for
4 determination of a consistency with the Master Plan the
5 Commission has already adopted.

6 We have proposed that several paragraphs which
7 would carry out those purposes be added to the resolution
8 of the Commission. It has no effect on the substantive
9 terms of the assignment, but it does safeguard the
10 Commission in those two respects.

11 ACTING CHAIRPERSON BELL: Is there no objection
12 from the assignee or assignor?

13 MR. STEVENS: It's my understanding it carries
14 forth what was the understanding of the parties in any
15 event.

16 ACTING CHAIRPERSON BELL: All right. This will
17 then in effect be added to the resolution on Calendar Item
18 16?

19 EXECUTIVE OFFICER NORTHROP: It is my understanding,
20 Mr. Chairman, that the staff dealt with that language there
21 at the time they prepared the calendar item.

22 ACTING CHAIRPERSON BELL: All right.

23 MR. ACKERMAN: I will so move with the addition.

24 ACTING CHAIRPERSON BELL: I will second it.

25 Without objection, the item will be approved with

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1 the addition handed to us by the Attorney General.

2 Item 17, Marconi Cove Marina, Inc.

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
4 is a 20-year renewal of a general lease for commercial use
5 in the Marconi Cove.

6 ACTING CHAIRPERSON BELL: All right. Without
7 objection?

8 Hearing no objection, Item 17 is approved.

9 Item 18.

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
11 is for Pacific Gas and Electric, a rental review for the
12 Diablo Canyon area, which is an increase in rent at the
13 review period.

14 ACTING CHAIRPERSON BELL: All this does is increase
15 the rent?

16 EXECUTIVE OFFICER NORTHROP: Right. It's a rental
17 review.

18 ACTING CHAIRPERSON BELL: All right. Without
19 objection.

20 MR. ACKERMAN: No problem.

21 ACTING CHAIRPERSON BELL: Without objection, Item
22 18 is approved.

23 On subject of land management of school lands,
24 Item 19, Bureau of Land Management.

25 EXECUTIVE OFFICER NORTHROP: This is a result

1 of meetings with the federal government, and they are now
2 asking for a fee rather than perpetual road easement.

3 ACTING CHAIRPERSON BELL: So they have come
4 around.

5 EXECUTIVE OFFICER NORTHROP: Largely because of
6 Mr. Ackerman's talking to them.

7 (Laughter.)

8 MR. ACKERMAN: I feel a comment is in order here.
9 Having met with some of the Bureau people, I am
10 pleased at their seemingly changed attitude toward the
11 relationship with the State now on federal lands.

12 ACTING CHAIRPERSON BELL: Maybe this is one small
13 step.

14 EXECUTIVE OFFICER NORTHROP: Yes.

15 MR. ACKERMAN: A very small step.

16 EXECUTIVE OFFICER NORTHROP: But in that same
17 conversation, the Commission might be interested to know
18 that we have another meeting set up for the middle of next
19 month in which we would look at some other problems we have
20 had.

21 So it may very well be a small step.

22 ACTING CHAIRPERSON BELL: Good.

23 MR. ACKERMAN: So move the item.

24 ACTING CHAIRPERSON BELL: I have a motion and
25 a second. So without objection, Item 19 will be approved.

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1 Item 20, policy modifications with regard to sales
2 moratorium on State-owned school lands.

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
4 item has been brought to our attention that access to
5 private-owned property through State school lands is some-
6 times difficult because there has not been a policy of the
7 Commission to allow that kind of access.

8 So what this calendar item attempts to accomplish
9 is to set that policy record straight, or at least correct
10 that policy deficiency if there is one, so that if a party
11 desires access through our land, the staff will be
12 instructed to work up the necessary information and bring
13 it to the Commission so that the Commission may make a
14 decision as to whether it is an access they wish to grant.

15 ACTING CHAIRPERSON BELL: There was no policy
16 to disallow?

17 EXECUTIVE OFFICER NORTHROP: No, we have just
18 kept quiet on the subject. We are just putting a positive
19 note on the subject.

20 ACTING CHAIRPERSON BELL: Mr. Ackerman.

21 MR. ACKERMAN: Does this policy apply only just
22 to school lands or does it apply to any other landlocked
23 parcels, where the private landowner may be landlocked on
24 State land and require an easement?

25 MR. HIGHT: Mr. Ackerman, almost by necessity,

1 the land that would be landlocked would be school lands.

2 The intent of this calendar item is to go to school
3 lands, and at the present time, I can't think of anybody
4 who would be in a landlocked situation that wouldn't be
5 school lands.

6 But if there is such a case, we will bring it
7 back to you.

8 MR. ACKERMAN: Okay.

9 ACTING CHAIRPERSON BELL: Then without objection --

10 MR. ACKERMAN: May I understand -- so we have
11 the record clear on this.

12 The staff will bring any request for this,
13 regardless of property, to the Commission for discussion.
14 We will take that as instruction?

15 ACTING CHAIRPERSON BELL: Fine. Then without
16 objection, Item 20 will be approved with the understanding
17 that if there are similar problems on other than school
18 lands, they will also be brought back to the Commission.

19 MR. HIGHT: Correct, Mr. Chairman,.

20 ACTING CHAIRPERSON BELL: Item 21.

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
22 assuming this was a 100-year flood we just had, we may
23 not have to use this item for another 100 years, but it
24 well may be down the road to give another Executive
25 Officer --

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1 ACTING CHAIRPERSON BELL: All 100-year floods
2 happen every five to ten years.

3 EXECUTIVE OFFICER NORTHROP: Oh. Is that right?
4 What I am asking for here is the authority to
5 approve emergency storm and flood damage work within the
6 areas of the Commission's jurisdiction, understanding
7 that at the earliest possible time we will convene the
8 Commission for their action.

9 ACTING CHAIRPERSON BELL: This in effect allows
10 you, in case someone needs a permit like on a levee that
11 is breaking, that we could give them authorization by you
12 rather than have a full Commission meeting to authorize
13 it?

14 EXECUTIVE OFFICER NORTHROP: Right.

15 ACTING CHAIRPERSON BELL: It does not extend to
16 obligation of any funds?

17 EXECUTIVE OFFICER NORTHROP: That is correct,
18 Mr. Chairman. I don't have any funds to obligate.

19 (Laughter.)

20 MR. ACKERMAN: This will allow the Executive
21 Officer --

22 EXECUTIVE OFFICER NORTHROP: I could issue permits
23 without coming to the Commission if, in my judgment, it
24 is a part of an emergency program.

25 MR. HIGHT: They will come back to the Commission

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1 for ratification.

2 EXECUTIVE OFFICER NORTHROP: As we do on the
3 dredging and other --

4 ACTING CHAIRPERSON BELL: All right. Then
5 without objection --

6 MR. ACKERMAN: Without objection.

7 ACTING CHAIRPERSON BELL: Without objection,
8 Item 21 is approved.

9 Item 22, leases and permits, Chevron.

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
11 Chevron, USA, has a lease in which it requires them to drill
12 wells at certain time intervals.

13 They have exceeded the time interval drilling --
14 the number of wells exceeds the time application.

15 At the present time, they would like to stop
16 drilling wells because they have got some banked ahead,
17 and go to work and do some remedial work on some of the
18 other wells.

19 So what this is is a six-month deferment to allow
20 them to do some remedial work and some other preliminary
21 work prior to continuing on with their drilling program.
22 Staff recommends approval.

23 MR. ACKERMAN: This just gives them credit for
24 wells already drilled?

25 EXECUTIVE OFFICER NORTHROP: It doesn't really

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1 give them credit. It says they are fulfilling their
2 drilling plan. They have done it and they are well ahead.
3 And because they have been diligent in the exercise of the
4 lease that they should be allowed to do this work because
5 it doesn't indicate any dilatory action on their part.

6 ACTING CHAIRPERSON BELL: Without objection,
7 Item 22 is approved.

8 Item 23, Santa Clara County.

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
10 is a dredging permit for 1500 cubic yards of area in
11 Steamboat and Alviso Sloughs.

12 MR. ACKERMAN: No objection.

13 ACTING CHAIRPERSON BELL: Then without objection,
14 Item 23 is approved.

15 Long Beach operations, Item 24.

16 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I
17 wonder if Mr. Moose Thompson would give a presentation on
18 on the Fifth Modification.

19 ACTING CHAIRPERSON BELL: Mr. Thompson.

20 MR. THOMPSON: The Fifth Modification is an updat-
21 ing of some economic projections, and also we would like
22 to change the plan and ask for a drilling rig, another
23 drilling rig in the unit.

24 I think to summarize this, the important thing
25 probably is the fact that our estimated net revenue for

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1 the full year now, we estimate to be \$347 million before
2 consideration of any federal excise tax, because there may
3 be different kinds of excise taxes for individuals within
4 the units.

5 This is for gross revenue for the whole unit before
6 consideration of any excise taxes.

7 ACTING CHAIRPERSON BELL: This is a net figure,
8 but it does not include those dollars which Long Beach gets?

9 MR. THOMPSON: This has nothing to do with any
10 part of the Long Beach unit. This is Long Beach as an
11 entity.

12 ACTING CHAIRPERSON BELL: This is Tract 1 only?

13 MR. THOMPSON: No, the whole Long Beach unit.

14 ACTING CHAIRPERSON BELL: The unit.

15 MR. THOMPSON: Because the State Lands Commission
16 approves the budget and sets modification for the entire
17 Long Beach unit. That's why we must talk about the Long
18 Beach unit in its entirety.

19 MR. ACKERMAN: I have one question.

20 This uses now new moneys that are coming in by
21 virtue of decontrol?

22 EXECUTIVE OFFICER NORTHROP: Right.

23 MR. THOMPSON: Yes. This is in essence the
24 result because when we first gave this to you back in
25 April of last year, at that time, we were estimating about

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1 \$97 million. This increase in revenue is strictly from
2 decontrol and heavy oil.

3 Primarily, the heavy oil is the big change.

4 ACTING CHAIRPERSON BELL: And is the source also
5 being able to obtain the additional well?

6 MR. THOMPSON: Yes.

7 ACTING CHAIRPERSON BELL: Or the additional
8 drilling --

9 MR. THOMPSON: Right. What we want to do here
10 is again, we want to buy another drilling rig, because we
11 need a specialized subbase on the rig so we can move faster
12 between locations, because lots of times just to move six
13 feet from one location to another location might cost five
14 to ten thousand dollars.

15 So what we want to do is get a specialized sub-
16 base so that we can use the same type of bogie wheels that
17 you saw on the rig we purchased about a year ago that allows
18 us to move between locations.

19 So what we are doing here is we are asking for
20 approval then to transfer this \$4.3 million of surplus
21 funds in development drilling to buy this rig, and the
22 reason we have these surplus funds is that we have had to
23 go back and do a lot of repair work on existing wells in
24 a redrill which is covered under expense.

25 So this will not augment the budget. We will

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1 go from there.

2 ACTING CHAIRPERSON BELL: That is shown on
3 Calendar Page 147?

4 MR. THOMPSON: Right.

5 We think again that this is consistent with the
6 Commission's plan of falling back, this additional revenue.
7 And what we are looking forward to here is almost a
8 redevelopment of the units because of the extra funds now.
9 We are going to actually break the intervals down into
10 shorter intervals.

11 I would like to also warn you ahead of time that
12 we will be coming and asking for additional augmentation
13 probably next month for additional surface locations --
14 cellar locations, maybe to the magnitude of \$10 million
15 to provide additional cellar locations so that we can go
16 back and redevelop the reservoirs and get additional
17 drills.

18 ACTING CHAIRPERSON BELL: With the entire purpose
19 of increasing the oil production? Or what is the purpose
20 of that last \$10 million?

21 MR. THOMPSON: The \$10 million will actually
22 provide the surface locations so that we can drill more
23 wells. Right now, in some islands, we are fairly well
24 drilled up. We just have no more places to drill wells
25 from.

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1 EXECUTIVE OFFICER NORTHROP: You recall when they
2 went to the trenches, "Well, we are plumb out of trenches."
3 So we have got to build some more of those big cellar
4 trenches so we can drill some more wells.

5 ACTING CHAIRPERSON BELL: You used the word
6 cellar.

7 EXECUTIVE OFFICER NORTHROP: I'm sorry. I meant
8 surface locations to drill a well. With that is also the
9 equipment to produce the well and take the fluids out.
10 These cost us about \$50,000 for each surface location for
11 a well because of the offshore location.

12 But again we now have the price incentive to go
13 ahead and do this and get the extra oil and get extra
14 production down the road.

15 EXECUTIVE OFFICER NORTHROP: In line with the
16 production, we felt that we could get in Long Beach some
17 14 to 16 thousand barrels a day given the heavy oil decon-
18 trol.

19 MR. THOMPSON: So this is part of the program
20 to arrest our decline in the field.

21 ACTING CHAIRPERSON BELL: All right, without objec-
22 tion, that will be approved.

23 We are now on Item 25 on Long Beach operations,
24 capital improvement project.

25 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,

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1 Mr. Thompson will also deal with this.

2 I do direct your attention to a letter -- some
3 communication from Mr. Denevan of the City of Long Beach,
4 Einer Petersen, the Deputy City Attorney, and the Executive
5 Officer, State Lands.

6 I refer you to Mr. Denevan's letter.

7 Mr. Thompson.

8 MR. THOMPSON: What this is is, this project is
9 to develop and reorient a public park, about 31 acres, and
10 facilities adjacent to the downtown marina, which you have
11 already given approval to in the past.

12 The cost of this is \$536,000, which the City wants
13 to expend \$430,000 of tideland revenue.

14 The rest of it will come out of an urban bond
15 act.

16 This is for the consulting engineering services
17 for site investigation, plans, specifications, construction
18 estimates.

19 What Mr. Northrup was referring to here was some
20 letters you received on the fact that there is some duplica-
21 tion here. But that is not the issue before the
22 Commission at this time.

23 The City has asked and given you notice as to
24 whether this comes under Chapter 138, Section 6(a) through
25 (f).

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1 The staff recommends that you approve it because
2 they are specifically authorized to do this by Section 6(c)
3 §(d) and 6(f).

4 And that's the Commission prerogative here, to
5 either deny this. But you would have to deny it in the fact
6 that it doesn't come under those particular sections, and
7 it's pretty straightforward that it does. So we recommend
8 approval.

9 MR. ACKERMAN: I just wanted to be real clear
10 on that. Under Chapter 138, the Commission's only role
11 is to determine whether or not the City of Long Beach legally
12 has title to expend those funds?

13 MR. THOMPSON: The scope is defined under Chapter
14 138, those sections.

15 MR. ACKERMAN: And we have no determination as
16 to what those funds are used for in the City of Long Beach,
17 as long as they meet the criteria?

18 MR. THOMPSON: That's right.

19 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, and
20 Mr. Ackerman, I would like staff counsel to respond to that.

21 MR. HIGHT: I want to clarify slightly.

22 Under Chapter 138, the Commission has the
23 authority, and the only authority, to determine if this
24 is a proper trust expenditure.

25 Now, is that --

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1 MR. ACKERMAN: That was my question.

2 MR. HIGHT: Okay.

3 EXECUTIVE OFFICER NORTHROP: And we feel, given
4 this, that it is a proper trust expenditure.

5 MR. ACKERMAN: That's the limited scope of our
6 decision?

7 MR. HIGHT: Right.

8 EXECUTIVE OFFICER NORTHROP: I don't think we
9 have the luxury of saying whether or not in our opinion
10 something should be done or not.

11 MR. ACKERMAN: Because much of the correspondence
12 we have received on the topic goes not to that question,
13 but to matters that seem more appropriate for the City of
14 Long Beach rather than the State Lands Commission.

15 EXECUTIVE OFFICER NORTHROP: Right. That's cor-
16 rect. That is why the communications are in front of you.
17 We feel the same way.

18 ACTING CHAIRPERSON BELL: Is there anyone to appear
19 on this Item 25?

20 MR. THOMPSON: In connection with this -- it has
21 nothing to do with the approval, but I talked to Einer
22 Petersen who is with the City Attorney's Office in Long
23 Beach, and they have an emergency situation down there that
24 relates somewhat back to Item 21 here, at the mouth of the
25 L.A. River, with regards to the rains down there.

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1 And I asked if he would come up and talk to you
2 at this particular time to discuss and more or less give
3 you some preliminary problems here and somewhat of the
4 emergency nature so that you are kind of given notice here.
5 It is kind of unofficial, but at least if he could tell
6 you some of their problems.

7 It has nothing to do with this particular item
8 except that it is for the Marina which is adjacent to this.

9 ACTING CHAIRPERSON BELL: Well, it is connected
10 with the Long Beach operations and capital improvement
11 projects, if necessary, because of the relatively large
12 flow of water, I suppose.

13 This is the Los Angeles River that empties right
14 next to --

15 MR. PETERSEN: That is correct, sir.

16 ACTING CHAIRPERSON BELL: I understand the Santa
17 Ana River has a real disaster potential down there, but
18 the Los Angeles River can get pretty big, too.

19 What is your problem, sir?

20 MR. PETERSEN: During the past autumn, early
21 winter, the Army Corps of Engineers dredged this area,
22 the L.A. River mouth, and Queen's Way Bay.

23 They removed substantial amounts of material which
24 had been deposited and were shoaling in the area, the bottom
25 surface was building up.

1 As a result of the recent severe storms, we have
2 had a repetition of that shoaling effect. Whereas we had
3 water 20 feet deep, we now have water six feet deep.

4 The Catalina/Long Beach passenger cruise service
5 has been terminated as a result of this shoaling. The ships
6 can no longer enter the basin where they have a terminal
7 facility.

8 The bridge which spans the L.A. River Channel
9 at that area, the Queen's Way Bridge, was designed for a
10 water depth of 20 feet.

11 As a result of the shoaling, the design integrity
12 of the bridge is in jeopardy. We are concerned that perhaps
13 additional pressures cannot be withstood.

14 As a result of this, the City Council on this
15 past Tuesday adopted an emergency resolution authorizing
16 the City Manager to enter into a contract without competi-
17 tive bidding for the purpose of procuring a dredging
18 contractor to remove the material. That contractor has been
19 contacted and agreement has been discussed. It's in the
20 process of being approved by the contractor now.

21 The contract will require the contractor to remove
22 approximately 300,000 cubic yards of fill material. As
23 in any dredging operation, there is the front end of the
24 pipe and the back end of the pipe.

25 Because this was designated as a borrow site for

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1 fill material for the 1600-slip marina, we are asking the
2 contractor to deposit the material in the areas of the
3 moors.

4 Now, substantial additional materials are going
5 to be required before the marina can be constructed and
6 the armor rock placed on top of this fill.

7 However, because of the emergency need to remove
8 the material deposited in the L.A. River mouth, we are going
9 to accomplish two things at one time -- relieve the stress
10 on the bridge and allow the cruise operator to resume cruise
11 operations and at the same time provide some of the fill
12 material.

13 Normally, the construction work for the Marina
14 would be an item which would be the subject matter of a
15 Chapter 138 notification to the Commission. As we have
16 indicated to the Commission in the past, however, the entire
17 cost of the Marina itself, including some of the engineering
18 and consulting expenses which the Commission has or will
19 approve today and has approved in the past, these will all
20 be paid from bond sale proceeds, from Marina revenue bonds
21 which the City proposes to sell on March 25th of this year.

22 So there will be no expense to the Tidelands
23 Oil Revenue Fund for these expenses. This would all be
24 reimbursed out of bond sale proceeds.

25 But we feel it appropriate to at least advise

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1 the Commission that this action is being taken, and because
2 of the emergency nature, there obviously would not be time
3 to file a formal 138 notice and await the Commission's
4 action.

5 ACTING CHAIRPERSON BELL: Thank you.

6 Mr. Ackerman has a question.

7 MR. ACKERMAN: Since most of the debris washed
8 down the Los Angeles River Channel, wouldn't it be the
9 responsibility of the Flood Control District to remove it
10 prior to the floods?

11 MR. PETERSEN: The material had been removed
12 prior to the flooding by the Army Corps of Engineers, and
13 they do have a responsibility for maintenance dredging of
14 the area.

15 However, the federal government does not respond
16 very quickly sometimes and we have a problem which has to
17 be taken care of now.

18 So as a result, we have also applied both to the
19 L.A. County Flood Control District and to the Army Corps
20 of Engineers for some reimbursement for the cost.

21 We do not have a response as yet.

22 MR. THOMPSON: The reason I asked him to come
23 up and talk is so that we can get some kind of a splice
24 here, because of the emergency nature, not necessarily
25 formal approval of this, but at least that you are given

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1 notice of this so that we can splice back into this later
2 on so there will be some continuity.

3 ACTING CHAIRPERSON BELL: I think that is
4 important.

5 MR. ACKERMAN: This does not require any action
6 by the Commission?

7 MR. THOMPSON: No. This is just informational.
8 Since it pertained to this, why I thought it would
9 be convenient to tie it together to give it some continuity.

10 ACTING CHAIRPERSON BELL: Do you have any objection
11 to Item 25?

12 MR. ACKERMAN: None. So move the item.

13 ACTING CHAIRPERSON BELL: All right. I will second
14 it.

15 Item 25 is approved for the agenda.

16 Item 26, City of Long Beach, dry stack storage
17 facility.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
19 is an expenditure of the City of Long Beach for dry boat
20 storage.

21 Mr. Thompson has the report on that.

22 MR. THOMPSON: This is the same type of approval
23 as before. Mr. Petersen has an issue here. That's why
24 he will stay up here on this one.

25 This is to provide a facility for dry storage

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1 of boats in the area of the tidelands. They want to start
2 doing some engineering services for design and everything
3 like that.

4 This would then go out and they would try to get
5 a developer to handle the project. The developer would
6 be required to purchase these plans.

7 So there is a potential for a partial reimbursement
8 of these funds.

9 Again it's a question of making a finding under
10 Section 6(a) through (f) again, and the staff recommends
11 that you approve this under those sections because we
12 believe the scope is spelled out there.

13 ACTING CHAIRPERSON BELL: The approval before
14 us is to determine the expenditure of the City of Long
15 Beach of \$92,700?

16 EXECUTIVE OFFICER NORTHROP: That is correct,
17 Mr. Chairman.

18 ACTING CHAIRPERSON BELL: Mr. Petersen.

19 MR. STEVENS: Maybe Mr. Petersen can answer my
20 question. I did have a question with respect to the 198
21 notice requirements, because I understand that part of the
22 money on this project has already been expended.

23 EXECUTIVE OFFICER NORTHROP: That's why we are
24 approving 92,700 and not the one twenty-two as the total
25 cost.

1 MR. STEVENS: But the one twenty-two is the cost
2 of the entire project.

3 MR. PETERSEN: That is correct. This is the
4 problem that we find.

5 We find that the action recommended is incomplete.
6 The City is not entirely without fault in having this
7 problem come up in this fashion.

8 However, before the City could determine whether
9 to go forth with this or not, they had to have the feasibility
10 aspect study. That was the \$30,000 which has already been
11 expended.

12 A copy of that report has been submitted with
13 our application on this matter.

14 Normally, a strict reading of Chapter 138 would not
15 require us to come forward to the Commission with this
16 type of a notification because Chapter 138 refers to
17 capital improvements in excess of \$50,000.

18 However, as a result of an agreement or under-
19 standing between the State and the City, we have always
20 advised the Commission when we intend to employ consultants
21 and we know the amount of the contract to be paid. We have
22 come forward and filed a notification voluntarily.

23 In this particular case, somehow this particular
24 contract fell through a crack in the floor. It was not
25 picked up and it was not recognized as an expenditure of

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1 tideland oil revenue funds or even tideland operating
2 funds.

3 In this case, the money has in fact I believe
4 been disbursed from the tideland operating fund of
5 \$30,000, and those are not oil revenues per se.

6 So we have the situation where we have an
7 expenditure where it would have been nice if we could have
8 come in in a timely manner and notified the Commission,
9 but we didn't discover this until this past month -- at
10 least I didn't discover it -- and tried to take corrective
11 action.

12 So we have a situation where I think it would
13 be appropriate not only for the Commission to make the
14 appropriate determination with reference to the balance
15 of the contract price, but also to ratify or confirm the
16 prior expenditures.

17 We had a complete package, and all of the moneys
18 having been spent for the same project, a dry stack storage
19 facility. The expenditures are clearly permissible. It's
20 just a matter of inadvertence on the City's part in not
21 filing a timely motion.

22 MR. STEVENS: I think that answers my question.
23 I was referring to a construction I think of advice that
24 we gave you in '76 to the effect that ordinarily we would
25 consider the cost for a preliminary study to be part of

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1 the project itself, but the planning expenditures could
2 be treated separately.

3 In effect, the Commission I guess is being asked
4 to approve the proposed project at this time.

5 MR. PETERSEN: No. Merely the expenditure of
6 this money.

7 MR. STEVENS: The expenditure of the money for
8 the project.

9 MR. PETERSEN: For consultant's services,
10 strictly services that have been procured.

11 MR. THOMPSON: The problem then becomes here this
12 area of preliminary planning, and we have the same problem
13 on subsidence projects.

14 There we have a State Lands expense fund in which
15 the preliminary planning is done in that particular category.
16 Then when the project is approved, given prior approval,
17 then that money is then taken out of State Lands expense
18 and transferred over to the other account.

19 We haven't been able to find any comparable setup
20 to do it in this particular relationship. Again, it's a
21 question of the City using their operating fund money or
22 tideland oil revenue money. That's the issue.

23 MR. ACKERMAN: Really we have two questions
24 involved then. One is whether or not the entire \$122,700
25 is an appropriate expenditure and whether the staff is in

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1 agreement on that; and secondly, one of a more technical
2 nature, that in order to actually apply for reimbursement,
3 advance notification is required before any funds are
4 expended.

5 MR. THOMPSON: For a capital project.

6 MR. ACKERMAN: For a capital project.

7 MR. THOMPSON: Over \$50,000.

8 MR. STEVENS: That's right.

9 MR. ACKERMAN: Perhaps some comment is in order.

10 ACTING CHAIRPERSON BELL: Well, Mr. Petersen,
11 I really feel that as long as our attorneys don't feel that
12 this is a complete violation of everything that we do, I
13 am reasonably sympathetic with the \$30,000.

14 But we do not have it on our agenda. My question
15 really that I was consulting on the side about was, even
16 though I might be favorably inclined to approve it today,
17 I feel that it was not on the official agenda.

18 I was wondering if we could approve what we have
19 here today with the understanding that the \$30,000 would
20 go on our next agenda and would be legally considered
21 proper at that time.

22 Is there any danger to you folks of having to
23 wait an extra month for \$30,000?

24 MR. PETERSEN: No, there's no danger at all, but
25 I believe it is the understanding of both staff and counsel

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1 that there is no question about the propriety of the
2 expenditure.

3 It is just the incompleteness of the recommended
4 action, is the only thing that I take issue with. I would
5 suggest that the matter is before the Commission today in
6 its entirety. The only question is whether or not the
7 recommended action as set forth in the calendar item
8 completely disposes of the issue, and I suggest that perhaps
9 a simple finding that the \$30,000, had it been noticed
10 timely, would have been found to be a proper expenditure
11 under Chapter 138 and ~~go no further~~ than that.

12 ACTING CHAIRPERSON BELL: I guess I was a little
13 unhappy about the fact that you hadn't come and told us
14 about the 30,000 in advance, but I can see some logic in
15 the fact that it does properly belong.

16 Mr. Hight, do you have any comment?

17 MR. HIGHT: Yes, Mr. Chairman.

18 Legally, I think you have the authority to amend
19 the 92,000 to make it reflect the full value.

20 ACTING CHAIRPERSON BELL: So we can consider this
21 as a single item.

22 I'm sorry. We can consider this as perhaps an
23 augmentation or amendment.

24 MR. THOMPSON: Let me add a little bit here.

25 Their application was for 122,000. The staff

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1 recommendation is for the 92,000.

2 ACTING CHAIRPERSON BELL: Oh, I see. So the
3 Commission can approve the original application which would
4 include the 30,000?

5 MR. PETERSEN: Yes, sir.

6 ACTING CHAIRPERSON BELL: Is that what you are
7 telling us?

8 MR. THOMPSON: I think so. It's only the staff's
9 recommendation for the \$92,000.

10 ACTING CHAIRPERSON BELL: Do you have any objec-
11 tion?

12 MR. ACKERMAN: No. I would so move, with one
13 comment.

14 Here I think it is unique that there is agreement
15 on the project that all of the money is appropriately
16 expended in accordance with the law, but I think it is also
17 important to note that in the future where that agreement
18 might not be possible or so readily available, that expendi-
19 tures prior to authorization from the Lands Commission
20 should be avoided.

21 It's not just the City of Long Beach, but anyone
22 else in similar circumstances could possibly not be
23 reimbursed for those expenditures. I think we have a couple
24 of other cases that are pending as well.

25 But I would so move the entire \$122,700.

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1 ACTING CHAIRPERSON BELL: \$122,700? Is that the
2 correct amount?

3 MR. THOMPSON: Yes.

4 ACTING CHAIRPERSON BELL: All right. I have a
5 motion to approve the \$122,700, and I will second that
6 motion.

7 And without objection, that item will be approved.

8 Mr. Petersen, I think it's important that since
9 we have to all work together on this that we would like
10 to keep our relationship with the City of Long Beach working
11 smoothly.

12 MR. PETERSEN: That is the City's hope also.
13 Thank you very much.

14 ACTING CHAIRPERSON BELL: Now we go to the
15 informative items on Long Beach operations.

16 Moose, is this yours also?

17 MR. THOMPSON: Yes.

18 EXECUTIVE OFFICER NORTHROP: Yes, that is Mr.
19 Thompson.

20 (Thereupon a brief discussion was held
21 off the record.)

22 MR. THOMPSON: Well, we have been reporting back
23 quarterly here for about the last four years. This
24 project started back in 1976 when you first gave approval
25 to go into the cost-sharing on this.

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1 We are now about at the point where we are going
2 to really see whether the project works or doesn't work,
3 after all of this time.

4 So, hopefully, the next several quarterly reports,
5 we will be able to give you some positive results.

6 To date now, to bring you up, this is a project
7 we originally estimated to be \$7 million. The federal
8 government said they would go 50/50 sharing and spend three
9 and a half million dollars and they would not share in any
10 incremental oil from this.

11 To date, we have spent \$7.6 million. By the time
12 we get through with the project, we will have spent in
13 excess of \$8 million.

14 To show you how this gets tied up in all of the
15 bureaucracy of the system, when we first got started on
16 this, we got classified as upper tier oil.

17 Then we got over into being a tertiary project.
18 They said, "Okay. You can get tertiary oil prices up to
19 \$20.

20 So now we are going through and they are going
21 to finally give us a letter saying that we may now get
22 uncontrolled prices. So again we have to go through the
23 chairs on this.

24 We have now put all of the micellar material
25 in. That was that \$2 million amount of material we put

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1 in. Incidentally, that material cost about \$20 a barrel
2 at that time, which was only about six or seven months ago.

3 If we were to start another project in the next
4 few months, that same material would probably cost up to
5 \$24 a barrel.

6 So you can see the process here as far as -- and
7 that is the problem with these type of tertiary recovery
8 projects where we have to actually use oil-based products
9 to enhance our recovery.

10 ACTING CHAIRPERSON BELL: Well, I think it gives
11 us a good example of the fact that all experimental projects
12 do not always prove cost-beneficial.

13 THOMPSON: Yes. A pilot project is very tough
14 to pan out because you do have a lot of engineering costs
15 on the front end and you are learning a lot of things along
16 the way.

17 ACTING CHAIRPERSON BELL: You said in the next
18 quarterly report you would keep us informed of what is
19 happening.

20 About how long do we go with this before we decide
21 it's not going to be --

22 MR. THOMPSON: Well, I think the best answer for
23 that is to look at these charts up here. The one on the
24 right, that small shaded area in the upper left corner,
25 is the project area.

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1 Then the next curve of that is some work done
2 on core material from this same sand. This indicates oil
3 recovery against what we call throughput volumes. You can
4 see that vertical arrow that points down. That is where
5 we started putting the micellar slug in.

6 We then followed that with polymer. So then as
7 we displaced that, you will see that this is where we
8 anticipate getting that additional recovery that goes
9 from approximately 30 some percent, and then on up to 45
10 percent.

11 That's related on the next curve then to actually
12 the composition of the fluids we produce. This is defined
13 in water/oil ratio versus recovery.

14 The water/oil ratio, that is the volume of water
15 divided by the volume of oil. As you can see in that
16 particular one, it peaks up to a value of almost 100 there,
17 or at a hundred, which means would produce 100 barrels of
18 water for every barrel of oil we produce.

19 Then as the micellar material starts to act, you
20 see then that water/oil ratio drops very drastically down
21 to a water/oil ratio of one. That's the right-hand part
22 of that sharp peaking there.

23 So in other words, at that particular time, instead
24 of producing 100 barrels of water for every barrel of oil
25 we produce, we would be down to producing one barrel of

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1 oil for every barrel of water we produce.

2 We have estimated somewhere between 100,000 to
3 300,000 barrels of oil, incremental recovery here. I have
4 taken the middle case and shown you on that last curve to
5 the left.

6 In red there you see this water/oil ratio
7 performance. And that is in red, and you can see the actual
8 line is starting there, that solid line.

9 Then you see the broken red line. That is the
10 same type of performance as indicated by those two curves
11 on the right.

12 So you can see then that hopefully if it follows
13 our lab data and predictions, then we are going to drop
14 very drastically in the water/oil ratio, and conversely
15 then, if we keep our total fuel production constant, then
16 the result of that will be then to follow the green line.

17 You can see the green line has dropped down to
18 about 50 or 60 barrels a day. We will then hopefully fol-
19 low the green line up to where conceivably out of this
20 project we might be making a thousand barrels a day of oil.

21 We are now at the point of finding out really
22 what is going to happen. It is favorable to relate the
23 fact that we have had tracer breakthrough in the past, but
24 we have had no micellar or polymer material breakthrough.

25 ACTING CHAIRPERSON BELL: I have just glanced

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1 at the years you have on the bottom of the fourth chart.
2 That gives me a pretty good idea, if you are on target,
3 about when we will know whether it really works or not.

4 MR. THOMPSON: It's going to happen very soon.

5 ACTING CHAIRPERSON BELL: Mr. Ackerman, a ques-
6 tion?

7 MR. ACKERMAN: What happens to the results on
8 a pilot project like this? Are they made available
9 nationally to the industry?

10 MR. THOMPSON: Right. In other words, that's
11 the basis of this thing, and one of the things that's an
12 advantage in the Long Beach situation is that we don't try
13 to conceal any particular information. We are right out
14 in front, and this is part of the sharing agreement with
15 the government.

16 ACTING CHAIRPERSON BELL: That's why the feds
17 put the --

18 MR. THOMPSON: Right. Because this is an area
19 where we actually can get it and the information is avail-
20 able.

21 Of course, any project they go into on a cost-
22 sharing is the same basis. This micellar project is one
23 project that has been hanging fire because this is the hope
24 of going in with these waterfloods, where you are way beyond
25 the economic limit -- and this project is beyond the

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1 economic limit -- to gain additional oil.

2 But if it does work like in theory, then it's
3 a question of economic evaluation to make it really work
4 and go from there.

5 ACTING CHAIRPERSON BELL: Okay. Without
6 objection -- well, no. That's just an informative item.

7 MR. THOMPSON: Yes.

8 ACTING CHAIRPERSON BELL: Item 28 is also an
9 informative item.

10 MR. THOMPSON: Informative item there.

11 This is Parcel A, and again, I think we can sum
12 this up just to say that because of the heavy oil decontrol
13 that we now hope to get \$10 million tideland oil revenue
14 from this compared to an earlier estimate of less than I
15 think \$1 million -- \$3 we estimated before.

16 ACTING CHAIRPERSON BELL: Was that with our older
17 pricing?

18 MR. THOMPSON: Yes. And again, this
19 is assuming federal approval of the State exception from
20 the excise tax.

21 ACTING CHAIRPERSON BELL: Mr. Northrop reported
22 earlier in the session that this is hopefully in
23 Conference.

24 MR. THOMPSON: I understand the negotiators are
25 going to take ten days to reduce that to writing. Then

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1 it is supposed to go to the House first and then go to the
2 Senate. Plans now, it would be retroactive to March 1st.

3 ACTING CHAIRPERSON BELL: Thank you.

4 Any questions?

5 MR. ACKERMAN: No, no questions.

6 ACTING CHAIRPERSON BELL: All right. Item 28
7 is accepted.

8 Item 29, legal annexations, City of American
9 Canyon.

10 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
11 is Mr. Hight's and the Legal Department's program.

12 ACTING CHAIRPERSON BELL: Mr. Hight.

13 MR. HIGHT: Yes, Mr. Chairman. This is the
14 request for an approval of the proposed boundaries of the
15 City of American Canyon. This action will only approve
16 the legal sufficiency of the description as presented to
17 the Commission by the proponents of the incorporation and
18 does not in any way bind the Commission as to approval of
19 whether the Commission would want to become a part of the
20 City.

21 This only says that the legal description is
22 legally sufficient.

23 ACTING CHAIRPERSON BELL: This is purely on the
24 sufficiency of the legal description?

25 MR. HIGHT: Right.

1 ACTING CHAIRPERSON BELL: This then allows them
2 to go to LAFCO and do whatever else.

3 MR. HIGHT: Correct, Mr. Chairman.

4 MR. ACKERMAN: Does every city have to come before
5 the Lands Commission?

6 MR. HIGHT: Only those annexations and incorpora-
7 tions that contain tide and submerged lands.

8 ACTING CHAIRPERSON BELL: And the four before
9 us today all have tide and submerged land somewhere?

10 MR. HIGHT: Correct, Mr. Chairman.

11 ACTING CHAIRPERSON BELL: Without objection, Item
12 29 is approved.

13 I assume we should not take 30, 31 and 32 as a
14 single action? We certainly could.

15 EXECUTIVE OFFICER NORTHROP: Yes, we could,
16 Mr. Chairman, because there is apparently no objection by
17 any of the parties on this.

18 ACTING CHAIRPERSON BELL: All right. In the interest
19 of time, what we are dealing with in 30, 31 and 32 are really
20 proposed annexations to the City of Redding, the City of
21 Sacramento, and the City of Manhattan Beach. This is not
22 a new city. These are just annexations.

23 And do the same comments apply that applied to
24 American Canyon?

25 MR. HIGHT: Correct, Mr. Chairman.

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1 MR. ACKERMAN: No objection.

2 ACTING CHAIRPERSON BELL: No objection to Items
3 30, 31 and 32. They will all be approved.

4 Item 33, legal disclaimer. Here again, 33, 34
5 and 35 --

6 MR. HIGHT: Yes, are all disclaimers of interest
7 in a lawsuit at Mather Air Force Base for a clear zone.
8 The Commission has no interest in any of these lands.

9 ACTING CHAIRPERSON BELL: All three of these
10 involve Mather Air Force Base?

11 MR. HIGHT: Correct, Mr. Chairman.

12 MR. ACKERMAN: So move.

13 ACTING CHAIRPERSON BELL: All right. I have a
14 motion and a second.

15 Without objection, Item 33, 34 and 35 will be
16 approved.

17 Item 36, a quitclaim, the United States of
18 America, GSA.

19 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Mr.
20 Hight and the legal staff will take care of that.

21 ACTING CHAIRPERSON BELL: Mr. Hight.

22 MR. HIGHT: Yes, Mr. Chairman.

23 The City of Alameda received a legislative grant
24 from the Lands Commission which they in turn conveyed to
25 the United States. The United States has indicated that

1 they are going to declare this excess, and this action is
2 asking them to instead quitclaim it to the Lands
3 Commission. It's an extension of the --

4 EXECUTIVE OFFICER NORTHROP: This is Walter
5 Cook, Mr. Chairman.

6 ACTING CHAIRPERSON BELL: Is the triangle shown
7 on the map the land in question?

8 MR. COOK: Yes, that is the land. It has actually
9 been declared surplus by the United States. The United
10 States does dispute the revisionary rights of the State
11 which we believe exist. We believe that by their declara-
12 tion of surplus, that has caused this to become State land.

13 The thrust of this is to avoid cost, settle this
14 in a very simple manner. We believe it can be done if
15 the United States will cooperate, and we are asking the
16 State Lands Commission to formally make that request.

17 Primarily, if it can be handled by a quitclaim
18 deed from the United States, there will be no cost of any
19 consequence to the taxpayers.

20 It's merely requesting the Commission to formally
21 request the United States to convey this land and authoriz-
22 ing the State Lands staff to submit your request, your
23 formal request to any federal officials who may be
24 interested.

25 ACTING CHAIRPERSON BELL: This does not authorize

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1 any court action or any suit?

2 MR. COOK: No. At this time, Mr. Chairman, we
3 are hoping to handle this matter as I said without the com-
4 mitment of large funds, without a big controversy, and,
5 hopefully, the United States officials will act responsibly.

6 And if there is a problem, it certainly can be
7 brought back to the Commission for your action at that
8 time.

9 ACTING CHAIRPERSON BELL: I see the lawyers were
10 shuddering at my words.

11 EXECUTIVE OFFICER NORTHROP: No, Mr. Chairman,
12 I think all of us on the staff do not share Mr. Cook's
13 optimism in dealing with the federal government. There are
14 those of us who have dealt with them before and find that,
15 even if you have a large stick, you may lose.

16 So I think the ability to negotiate with the
17 threat of a lawsuit doesn't scare them a whole lot, but
18 it's better than a poke in the eye with a sharp stick.

19 ACTING CHAIRPERSON BELL: Well, we are not
20 authorizing an adversary suit against the GSA?

21 EXECUTIVE OFFICER NORTHROP: As written at the
22 present time, we are not authorizing suit.

23 ACTING CHAIRPERSON BELL: That's all I wanted.

24 MR. ACKERMAN: Does the State own all the lands
25 around that parcel?

1 MR. COOK: Immediately to the outboard, to the
2 west, the State owns the land in its sovereign capacity.
3 There has never been any grant or whatever of that.

4 This particular parcel is the outer portion of
5 the Naval Air Station, and immediately to the east, it
6 remains part of the Naval Air Station. This is just what
7 they have said they don't need.

8 And certainly we are not disputing the requirements
9 of the federal government as to what they have as a part
10 of the Naval Air Station.

11 In effect, the surplus determination was made
12 in January of this year. The surplus notice pointed out
13 that the property was zoned, by the way, as R-1, and that
14 it was available for disposal under the Surplus Property
15 Act.

16 We didn't think that was quite right. It did
17 in the notice, however, request a response from other
18 agencies. We felt the proper response from the Commission
19 would be that this should be like all of the rest of the
20 Bay that is not needed by the federal government, by their
21 own words, and should be part of the sovereign bay.

22 The Department of Fish and Game is interested
23 in it. However, if the Department of Fish and Game were
24 to receive it through the federal government, it would be
25 under the federal surplus statutes. They would receive

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1 it in a proprietary capacity.

2 The checkerboard type of fractioned ownerships
3 doesn't seem to be a viable solution.

4 We believe that a strong effort can be made to
5 convince the General Services Administration that we have
6 a valid case and that certainly the expenditure of large
7 amounts of money in trying to solve this problem just doesn't
8 seem warranted.

9 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I think
10 the situation is analogous -- and I'm really going to try
11 this on Mr. Cook. I'm going to borrow his lawnmower and
12 I'm going to sell it at a garage sale and see if he is as
13 calm with me as he is with the federal government doing
14 almost the same thing.

15 MR. COOK: There is a background, Mr. Chairman,
16 on sales by the federal government.

17 (Thereupon a brief discussion was held
18 off the record.)

19 MR. COOK: But there is a real serious problem
20 that we have been facing for years. The federal govern-
21 ment, especially during World War II, received large
22 amounts of sovereign lands of the State, and at that time,
23 there were reasons why things went through fairly fast.
24 There were judgments, for example, where they acquired
25 the State's rights for one dollar. There were deeds.

1 There were various things that happened.

2 And after that then these lands were in federal
3 ownership for these military purposes, they were declared
4 surplus.

5 Some of them were sold to private parties.
6 After they were sold to private parties, we still had real
7 problems legally, but we are faced with the position of
8 these private parties claiming lands. They certainly feel
9 they are bona fide purchasers when they purchased from the
10 United States.

11 And we feel it is an ongoing problem. And
12 certainly in this particular instance, there seems to be
13 such a small amount of question, at least in my mind, that
14 something should be done, and certainly hopefully not a
15 protracted litigation. That doesn't seem warranted at all.

16 ACTING CHAIRPERSON BELL: Well, this does not
17 require that, so --

18 All right. Without objection --

19 MR. ACKERMAN: I so move.

20 ACTING CHAIRPERSON BELL: All right. A motion
21 and a second.

22 Without objection, Item 36 --

23 MR. NIGHT: Mr. Chairman, if I could add one
24 thing to this item.

25 Mr. Cook has indicated in the past the federal

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1 government has taken lands during wartimes and has been
2 less than honorable in returning it.

3 In the Honey Lake area, the Commission gave the
4 federal government some lands under certain conditions,
5 and now they have determined that the Commission can have
6 the land back.

7 (There is only one problem with the land. It is
8 full of bombs, and they want to give it back to us with
9 a guarantee that we will hold them harmless.

10 ACTING CHAIRPERSON BELL: And will not pay for
11 the fencing.

12 MR. HIGHT: So they have an excellent record.

13 ACTING CHAIRPERSON BELL: We have already approved
14 Item 36.

15 Item 37, exchange and title settlement, State
16 Lands Commission, City of Eureka.

17 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this
18 is part of an ongoing settlement with the City of Eureka.
19 I think the Legal Department wants to talk about it.

20 MR. HIGHT: Mr. Chairman, this is a parcel that
21 the City desires to develop without the tidelands trust,
22 and as a condition of that, the City will give us, or put
23 into the trust, another parcel and an amount of money of
24 equal value.

25 MR. ACKERMAN: No objection.

1 ACTING CHAIRPERSON BELL: No objection.

2 Item 37 is approved.

3 Item 38 is off calendar.

4 Item 39, Santa Barbara County bean cleanup and
5 hazard control.

6 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, several
7 months ago, a contract came before this Commission for the
8 cleanup of some abandoned wells and other works that were
9 left in the surf in Santa Barbara County.

10 We have completed the portion of the work for
11 which we had received -- the funds have run out. We are
12 still working. The equipment is still on-site in Santa
13 Barbara.

14 So we have sat down with some of the people who
15 have existing leases on that property and discussed with
16 them the possibility of their continuing this cleanup.

17 I hasten to mention here we have not done it at
18 this time from any legal obligation. We have appealed to
19 Sun Oil Company and to Arco and to Aminoil, as good
20 corporate citizens, to attempt to make these areas of the
21 beach safe for the use of all of the people of California.

22 We have had excellent acceptance from Aminoil.
23 Out of their corporate revenues, they immediately put up
24 enough money to hold us in an interim state.

25 We have had I understand some conversations with
ARco and Sun Oil Company that have been very productive,

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1 as recently as last Monday.

2 Mr. Everitts was in Santa Barbara meeting with
3 the people in that area, with Sun and Arco.

4 And they indicate that while we haven't come to
5 a conclusion as to the dollar values or the dollar exposure
6 again not any legal exposure -- the negotiations are
7 proceeding very favorably.

8 And the staff -- if they conclude, as they have,
9 the meeting went last Monday, the staff not only is very
10 pleased, but hands kudos to Arco and Sun for their corporate
11 responsibility.

12 So this calendar item would allow the Executive
13 Officer to execute reimbursable contracts should we
14 arrive at a reimbursable amount to continue this work,
15 with particular thanks to Aminoil, Arco, and Sun, if we
16 are able to do it.

17 MR. ACKERMAN: Just one question. Are these on
18 State-leased lands?

19 EXECUTIVE OFFICER NORTHROP: These are in the
20 surf, which is in State-owned lands. The areas are
21 currently under lease.

22 Now, the question is the liability question,
23 whether the current lessee had anything to do with it or
24 not.

25 My attorney is getting nervous.

1 MR. HIGHT: Yes, Mr. Ackerman, portions of the
2 area are under lease and portions have been under lease
3 by the companies.

4 The portions that are not now under lease are
5 the areas that there is some disagreement, but we think
6 that at the present time there is no disagreement.

7 This agreement would authorize the Executive
8 Officer to execute contracts for mobilization and demobiliza-
9 tion to keep the equipment in place currently while we
10 work out the details of the bigger contract.

11 MR. ACKERMAN: I just think that when a lease
12 is executed for an oil company that part of that lease would
13 require them to remove or move any dangerous --

14 MR. HIGHT: It normally does, Mr. Ackerman, and
15 the problem at hand is whether or not there was a removal
16 and the sufficiency of the removal.

17 But it's hopeful now that that question -- we
18 won't have to fight about that question.

19 MR. ACKERMAN: This is taking care of a past
20 problem?

21 MR. HIGHT: And without litigating. We may have
22 to litigate the problem just mentioned if we are unable
23 to do this.

24 But we feel that the cooperation -- it started
25 a little slowly, but it is accelerating and really has been

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1 very good. If it changes, we will certainly let you know.

2 ACTING CHAIRPERSON BELL: I have a motion and
3 a second. Item 39 is approved.

4 That completes the calendar we have before us
5 today.

6 Are there any other items to come before the
7 Commission?

8 MR. STEVENS: Just an informational item, if you
9 will, Mr. Chairman. And if the Commission has a few moments,
10 we would like to advise you of the status of the Monc Lake
11 case in Executive Session.

12 The informational item is that the California
13 Supreme Court has essentially ruled in our favor in the
14 Berkeley waterfront case. We do not know whether an appeal
15 will be taken to the U. S. Supreme Court yet.

16 But basically, they held that the land in question
17 remains subject to the public trust, except in cases in
18 which individuals had unjustifiable reliance on prior
19 decision of the Court, failed and reclaimed their land and
20 put it beyond public trust uses, and in doing so, had
21 acted pursuant to all applicable regulations and permits.

22 So essentially, the Court performed a balancing-
23 the-equities act which we believe protected the State's
24 interests and, at the same time, protected the individuals
25 who would have really been in hardship otherwise.

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1 ACTING CHAIRPERSON BELL: Do you feel it advisable
2 for us to have an Executive Session now on Mono Lake?

3 MR. STEVENS: We would like to spend a couple
4 of minutes simply advising you of the position we propose
5 to represent the Commission in with respect to water rights
6 there.

7 It would be desirable.

8 ACTING CHAIRPERSON BELL: All right. This will
9 not require any action by us?

10 MR. STEVENS: No.

11 ACTING CHAIRPERSON BELL: May we adjourn the
12 regular session and declare an Executive Session?

13 EXECUTIVE OFFICER NORTHROP: Right.

14 Mr. Chairman, the staff will take the necessary
15 steps to clear the room except for those people involved
16 in the session.

17 ACTING CHAIRPERSON BELL: All right.

18 I am going to adjourn the regular session and
19 declare the State Lands Commission now in Executive
20 Session.

21 (Thereupon the meeting of the State
22 Lands Commission was adjourned at
23 11:30 a.m.)

24 --oOo--

25

CERTIFICATE OF SHORTHAND REPORTER

I, DELORES I. DALTON, 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, DELORES I. DALTON, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of March, 1980.

Delores I. Dalton

DELORES I. DALTON
Certified Shorthand Reporter
C.S.R. License No. 4691

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