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MEETING  
STATE LANDS COMMISSION  
STATE OF CALIFORNIA

ROOM 2170  
STATE CAPITOL  
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, MAY 29, 1980  
10:00 A.M.

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

MEMBERS PRESENT

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- Mr. Kenneth Cory, State Controller, Chairperson
- Mr. Roy M. Bell, representing the Director of Finance
- Mr. David G. Ackerman, representing the Lieutenant Governor

STAFF PRESENT

- Mr. William F. Northrop, Executive Officer
- Mr. Robert C. Hight
- Mr. James F. Trout
- Mr. Leslie H. Grimes
- Mr. Richard S. Golden
- Mr. Donald J. Everitts
- Mr. Wilbur M. Thompson
- Ms. Diane Jones

ALSO PRESENT

- Mr. Jan S. Stevens, Attorney General's Office
- Mr. Alan Hager, Attorney General's Office

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P R O C E E D I N G S

--oOo--

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2  
3 CHAIRPERSON CORY: We will call the meeting to  
4 order.

5 Are there corrections or additions to the prior  
6 minutes?

7 Without objection, they will be confirmed as  
8 presented.

9 Mr. Northrop, can you start giving us a report?

10 Good morning, Mr. Bell.

11 (Laughter.)

12 EXECUTIVE OFFICER NORTHROP: Science Applications  
13 has applied for a temporary research buoy in Lake Tahoe  
14 as a necessary part of an internal wave research  
15 program sponsored by the National Research Foundation. This  
16 program is a nonprofit activity conducted for the  
17 enhancement of the public benefit.

18 With the commission's consent, I will issue, free  
19 of the commission's fees and rents, a temporary right-of-  
20 entry permit. In consideration, the commission will receive  
21 from the applicant a copy of all published reports resulting  
22 from the proposed research activity, without charge to the  
23 commission.

24 CHAIRPERSON CORY: Why do we want all these  
25 wonderful reports?

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1 EXECUTIVE OFFICER NORTHROP: I was afraid you'd  
2 ask. I have three pages I boiled this down from.

3 The buoy will provide a vital component of wind  
4 measurements supporting an investigation of the variability  
5 of the internal wave field at Lake Tahoe. The principal  
6 investigator will be Gordon O. Williams of Science  
7 Applications, Inc.

8 CHAIRPERSON CORY: No. The question was: Why do  
9 we want this information? Does it have any relevance to  
10 our role?

11 EXECUTIVE OFFICER NORTHROP: We really need the  
12 wave information for us to ascertain, even in the Tahoe --

13 CHAIRPERSON CORY: You think it's worthwhile?

14 EXECUTIVE OFFICER NORTHROP: Staff feels it's  
15 worthwhile.

16 CHAIRPERSON CORY: This is not going to end up  
17 with Proxmire's golden fleece award?

18 EXECUTIVE OFFICER NORTHROP: I don't think so.  
19 Well, it may well. The end result, maybe, but it won't cost  
20 us anything other than we didn't charge them.

21 CHAIRPERSON CORY: Any questions?

22 Okay, Mr. Northrop. Moving right along.

23 EXECUTIVE OFFICER NORTHROP: Reforestation: In  
24 1977, consistent with the goals of resource enhancement, the  
commission made application for funds to reforest lands

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1 under its jurisdiction.

2 After a great deal of staff effort (that's called  
3 "self-aggrandizement") and with the help of the Resources  
4 Agency and the California Conservation Corps, an  
5 authorization for expenditures of approximately \$500,000 was  
6 approved by the Employment Development Department and the  
7 Department of Finance.

8 The contract authorization was conditioned so that  
9 labor would be furnished by the California Conservation Corps  
10 under the supervision of the Department of Forestry and the  
11 State Lands Commission. Out of this authorization came  
12 contracts with CCC and the Department of Forestry, as well  
13 as numerous private contracts for work which CCC and Forestry  
14 couldn't provide.

15 Due to the commendable efforts (and I seriously  
16 mean this) of Norm Kennedy and Bob Shimer of our staff, and  
17 the total cooperation of the Department of Forestry and  
18 CCC -- and again, the dedication of the CCC crews and  
19 foremen was exemplary -- we have now planted over 300,000  
20 seedlings on several hundred acres of school lands.

21 Les Grimes has a report and some show-and-tell  
22 with more specifics, along with some slides of the Truckee  
23 plantation. Before Les's presentation, I understand  
24 Mr. B.T. Collins is here -- at least we invited him.

25 CHAIRPERSON CORY: I didn't see the infamous B.T.

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1 EXECUTIVE OFFICER NORTHROP: Whether he's here or  
2 not, we'd like to thank him publicly for the help of his  
3 department in what I believe to be a very significant  
4 program. If the budget allows it, I hope we can continue  
5 to work together in the enhancement of the state's land  
6 resources. Also, a thank-you to the Resources Agency.

7 CHAIRPERSON CORY: Have you contemplated how many  
8 trees would have been saved if we could have eliminated in  
9 the last year all the self-aggrandizing statements made by  
10 government throughout this state?

11 EXECUTIVE OFFICER NORTHROP: One ton of paper  
12 saves 17 trees.

13 CHAIRPERSON CORY: Les, you're going to give us  
14 a slide show. You've got dirty pictures?

15 MR. GRIMES: Mr. Chairman and commissioners, I'd  
16 like to give a little more detail on what Mr. Northrop said  
17 there.

18 Since the inception of the reforestation program  
19 in late 1977, we have planted a total of 313,000 trees on  
20 700 acres at 11 separate sites. Of the 700 acres planted,  
21 593 acres required site preparation, including hand or  
22 mechanical brush clearance.

23 We have spent \$435,000 resulting in a per-acre  
24 cost for both clearing and planting of \$623. Our overall  
25 survival rate through the 1979 plantings is 73 percent. When

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1 we get data from the better sites planted in 1980, this  
2 figure should go up.

3 For additional comparative information, I'll run  
4 through the yearly achievements. In 1978 we planted 108  
5 acres and cleared 278 acres. In 1979 we planted 278 acres  
6 and cleared an additional 300. In 1980 we will have  
7 planted by June 30 311 acres and will have cleared 15 acres.

8 As you can see we are just getting into stride on  
9 the program. In the first year we planted some small sites  
10 that were accessible and required little site preparation,  
11 while clearing and preparing sites for the following year  
12 was accomplished. We accomplished much more planting the  
13 second year and somewhat more the third year. Although the  
14 bills are not yet all in, I am sure the per-acre cost for  
15 1980 will be significantly less.

16 Due to the efforts of Norm Kennedy, we have  
17 developed a fine and productive relationship with CCC and  
18 the Department of Forestry -- also because those people are  
19 nice people. Our inventory and planning process is up to  
20 speed.

21 We have before you later in this meeting a  
22 proposal to harvest timber from state lands. This will  
23 provide accessible and prepared sites for planting.

24 If the planting program is continued, I believe we  
25 will be able to plant at a cost in line with industry

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1 standards.

2 CHAIRPERSON CORY: What is that?

3 MR. PRIMES: Anywhere from \$300, \$400 an acre.

4 CHAIRPERSON CORY: As I live and breathe, it's  
5 B.T. You missed all the nice things that were said about  
6 you. Now we can tell the truth.

7 (Laughter.)

8 MR. COLLINS: I had to meet with my probation  
9 officer anyway.

10 (Laughter.)

11 CHAIRPERSON CORY: For those who don't know the  
12 glorious fascist pig who runs CCC --

13 We were just running through this and they were  
14 telling us that we're going to get the costs down to  
15 industry standards. The staff was almost embarrassing in  
16 the nice things they were saying about you, which must have  
17 been meant for the people who work for you.

18 MR. COLLINS: Probably under the influence of some  
19 kind of hallucinagenic drug.

20 CHAIRPERSON CORY: You are in time for the dirty  
21 pictures. They're going to show us dirty pictures of your  
22 good work.

23 MR. COLLINS: Mr. Cory, I'd like to introduce one  
24 of my corps members who is here. This is Larry Wesson from  
25 the Yountville Center, one of my superstars. Then the guy

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1 who is responsible for all the projects throughout the state  
2 is John Passerello.

3 CHAIRPERSON CORY: Thank you people very much,  
4 and the people you represent, who did all the hard work  
5 planting the trees and clearing the brush and make this  
6 possible. We appreciate that, and they are going to show us  
7 right here what was accomplished. Then we will hear from  
8 you at the end, and you can explain all the beer cans or  
9 whatever.

10 --o0o--

11 MR. GRIMES: The slides concentrate on a 160-acre  
12 parcel that the State Lands Commission has up near Truckee.  
13 This is the logo of a little booklet that we compiled and  
14 put out to a number of people, including the corpsmen on  
15 the job.

16 --o0o--

17 This shows the location of the parcel. It's just  
18 north and east of Truckee on the Prosser Creek Reservoir  
19 Road. It's quite accessible, and it's also quite pretty up  
20 there.

21 --o0o--

22 --o0o--

23 These are just some shots of the property. In  
24 1950 the then commission authorized the removal of virtually  
25 all the material necessary to build the Prosser Dam, which

1 resulted in something that looked kind of like a moonscape  
2 punctuated with real deep holes, some of them full of water.  
3 There is 110 acres, though, of the site available for  
4 planting and which now has been planted.

5 --o0o--

6 --o0o--

7 These are just some additional shots.

8 --o0o--

9 Back in 1978 we began the project up there with  
10 some experimental plantings, because there was some doubt  
11 that it was a good site for growing trees. The experimental  
12 plantings turned out real well, with survival up above 90  
13 percent.

14 CHAIRPERSON CORY: Can we go back to that last  
15 slide for a minute? There's a comment I must make for the  
16 staff's benefit.

17 --o0o--

18 You've made the chairman very happy by including  
19 that. The other two members, I think, may have some negative  
20 thoughts going through their heads at this time.

21 EXECUTIVE OFFICER NORTHROP: We're going to do new  
22 projects every year, so we will update this in other  
23 locations.

24 CHAIRPERSON CORY: That may not make one of the  
25 members feel any better.

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1 (Laughter.)

2 MR. GRIMES: That sign, by the way, is up there  
3 at the site, and it's in remarkably good condition. Nobody  
4 has defaced it or anything or that sort.

5 (Laughter.)

6 --oOo--

7 MR. GRIMES: Here are the poor people lined up  
8 along the road receiving instructions on how to plant. This  
9 is where Norm Kennedy and his patience came in. There was  
10 quite a bit of turnover in the early days, and it required  
11 almost constant training.

12 --oOo--

13 Here they are learning how to stay 10 feet apart.  
14 There is a rope with a knot every 10 feet. They would grasp  
15 the knot and work for a while until they got the system  
16 down.

17 --oOo--

18 This is brush clearing.

19 --oOo--

20 This is all hand labor. You can see the size of  
21 the piles there. A lot of work went into that.

22 --oOo--

23 That is the west property line there, showing the  
24 stuff that we cleared and how it was before.

25 --oOo--

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1           The little tree on the extreme left there is one-  
2 year-old planting stock. The tree in the middle is a two-  
3 year-old planting stock. The tree on the right is a one-  
4 year-old planting stock that's been in the ground two years.

5                           --o0o--

6           Here is a typical newly planted one-year-old  
7 seedling.

8                           --o0o--

9           Here is one that's been in the ground for two  
10 years alongside a forester's compass.

11                          --o0o--

12                          --o0o--

13           There's a good shot of the plantation. This is  
14 two years old, and the trees are still alive and well at  
15 10-foot intervals, which is what we hoped for.

16           CHAIRPERSON CORY: Did you expect them to move?

17           (Laughter.)

18           MR. GRIMES: They do go away as a result of a  
19 number of things, including deer browse and cattle and  
20 motorcycles and that sort of thing.

21                          --o0o--

22           There's another shot of a one-year-old that's  
23 been in the ground two years alongside of a pencil.

24                          --o0o--

25           That's a one-year-old planted one year.

                          --o0o--

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--o0o--

Just additional shots.

--o0o--

We started something new this year. I found that we had a couple of chain saws that we bought in connection with our Delta cleanup project, and we converted those to augers. We put three men running the augers and the rest of the crew planting, and we increased the plant by 50 percent, plus the holes will be deep enough that there will be no more J roots and crimped roots and that sort of thing.

--o0o--

--o0o--

These are just some shots of the poor people.

--o0o--

That's Steve Brown, a super guy from the Division of Forestry, who works as foreman of the crew.

--o0o--

This is lunchtime for the CCCs.

--o0o--

--o0o--

--o0o--

--o0o--

It's hard to see, but there's a little tree right in front of the rock. That's what we put in. In the background is what we hope it will amount to.

--o0o--

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1 That's all I have unless you have questions or  
2 something.

3 CHAIRPERSON CORY: Why is it that these trees  
4 live, and the ones you put in your own yard didn't?  
5

6 MR. GRIMES: That question comes up pretty  
7 regularly, and I've always avoided saying it before, but  
8 50 percent of those trees were planted by Bob.  
9 (Laughter.)

10 MR. GRIMES: I don't think he has a real green  
11 thumb.

12 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, that  
13 completes my report.

14 CHAIRPERSON CORY: Any questions from  
15 commissioners?

16 MR. ACKERMAN: This is for Les. How long does it  
17 take until that becomes the harvest?

18 MR. GRIMES: About the earliest you could expect  
19 would be 50 to 55 years. That's why planting is so difficult  
20 to justify economically. Even though the initial cost is  
21 rather low, carrying that cost so many years mounts up.

22 CHAIRPERSON CORY: It's good to see some of the  
23 worthwhile things rather than just hearing about the  
24 problems. I appreciate the report.

25 Okay. That's the end of your report?  
Mr. Golden.

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1 MR. GOLDEN: Mr. Chairman and members of the  
2 commission, I have two items this morning relative to  
3 coastal matters. The first has to do with coastal access  
4 easements.

5 The Coastal Commission and the State Coastal  
6 Conservancy are currently engaged in developing a public  
7 coastal access program pursuant to Chapter 840 of the  
8 Statutes of 1979. One provision of that bill directs the  
9 Coastal Commission to identify those state agencies deemed  
10 suitable to control specific accessways so that they may  
11 become available for the general public's use.

12 The staff of the Coastal Commission has requested  
13 that we determine the feasibility of the State Lands  
14 Commission's accepting "lateral" easements: that is, those  
15 running parallel to the mean high tideline. Tentatively,  
16 we have indicated that there is a possibility if the  
17 easements: (1) consist of unimproved sandy beach area;

18 (2) effectively require no maintenance  
19 responsibilities by the commission (while no practical  
20 responsibility to maintain the area may be involved, there  
21 would still remain the legal responsibility for it); and

22 (3) are adjacent to a beach currently maintained  
23 by a local or state agency.

24 The Coastal Commission staff has informed us that  
25 beginning in July of this year, funds may be available to

1 reimburse us for the processing of these easements.

2 There are at least 100 offers to dedicate  
3 easements currently awaiting acceptance that fall into the  
4 categories indicated above. Once this workload has been  
5 processed, it is estimated that there will be a continuing  
6 workload of about five easements a month.

7 Unless otherwise directed, we will develop  
8 specific proposed guidelines and cost estimates for  
9 processing these access documents and return the package to  
10 you for formal action.

11 The second item deals with the Long Beach Local  
12 Coastal Program. At the last meeting Mr. Northrop reported  
13 that the Long Beach Local Coastal Program was before the  
14 South Coast Regional Commission for certification. At that  
15 time the staff of that commission was recommending a  
16 condition banning night oil drilling which would have  
17 severely impacted oil development programs in Long Beach.

18 Formal action was taken by the regional commission  
19 which eliminated this condition from the approved local  
20 coastal program, and that action was sustained by the State  
21 Coastal Commission on May 22, 1980.

22 CHAIRPERSON CORY: On that last item, thanks for  
23 doing the good work in solving that problem for us.

24 MR. GOLDEN: Thank you.

25 CHAIRPERSON CORY: It would have been a real

1 difficulty. It was a good job.

2 Any questions from commissioners?

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, items  
4 23, 25, 26, and 27 are off calendar.

5 CHAIRPERSON CORY: Okay.

6 We have a consent calendar. We will take items  
7 C-1 through C-9 and C-11 through C-22. They will be taken  
8 up as a group, and we will follow the staff's  
9 recommendation unless there is someone in the audience who  
10 has an objection to the proposed staff recommendation on  
11 those items. Those are C-1 through C-2, excluding C-10.

12 Without objection, we will approve those consent  
13 calendar items.

14 We now have item 10. I have, I guess, an  
15 indirect interest in one of the people there, so I will  
16 give Mr. Bell the gavel and let him dispose of that item.

17 MR. BELL: All right. Item C-10 is before us.  
18 Do you have any problems with that, Mr. Ackerman?

19 MR. ACKERMAN: Is it floating?

20 CHAIRPERSON CORY: Don't ask. It's not there.  
21 The river is too low to float the dock to get it back.  
22 That's the problem.

23 MR. BELL: Mr. Ackerman, if you have no problem  
24 with C-10 --

25 MR. ACKERMAN: No.

1 MR. BELL: -- I will move that C-10 is approved  
2 and return the gavel to Mr. Cory.

3 CHAIRPERSON CORY: We now have a pier.

4 EXECUTIVE OFFICER NORTHROP: A free recreational  
5 pier.

6 CHAIRPERSON CORY: Free? They pass a statute  
7 saying it's free and they charge us 70 bucks. Moneygrubbers.

8 Item 24, the Huntington Partnership, a commercial  
9 marina. They're getting \$9,000 or six percent of the gross  
10 for 25 years. Is there anybody in the audience on that  
11 item? Any questions from commissioners?

12 Without objection, it will be approved as  
13 presented.

14 Items 25, 26, and 27 are off calendar.

15 Item 28, a quitclaim deed for Lizzie Mae Ingle on  
16 mineral rights in the town of Baker to 500 feet; is that  
17 correct?

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

20 CHAIRPERSON CORY: This is to build a Burger King?

21 EXECUTIVE OFFICER NORTHROP: That's right.

22 CHAIRPERSON CORY: To bring culture to Baker.

23 Any questions from commissioners?

24 Without objection, item 28 will approved as  
25 presented.

1           Item 29, approval for the Executive Officer to  
2 execute a memorandum of understanding between State Lands  
3 and the BLM concerning land exchanges. Anybody in the  
4 audience on this item?

5           EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I have  
6 a telegram on the item from a Mr. Philip Hennis, in which he  
7 assumes, according to the telegram, that we are going to  
8 give some land to the BLM. While we will respond to it, it  
9 is not germane to the calendar item.

10          CHAIRPERSON CORY: This is not to give any land  
11 to them, but to negotiate some exchanges.

12          EXECUTIVE OFFICER NORTHROP: That's right. He  
13 didn't understand that, so we had to talk to him.

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

16          MR. BELL: I have only one comment myself. I  
17 understand that as we negotiate with BLM -- as we have in  
18 the past, we never got any results from them or comments or  
19 even replies. As I understand it, once we sign this  
20 agreement we can at least get a reply from them, even if it's  
21 negative.

22          EXECUTIVE OFFICER NORTHROP: Yes. They will talk  
23 to us on the issue.

24          MR. BELL: They will at least talk to us.

25          MR. ACKERMAN: We're making progress.

1 CHAIRPERSON CORY: In another 200 years we might  
2 be able to communicate with our government.

3 Without objection, approval is granted as  
4 requested in 29.

5 Item 30, proposed sale at Videl Junction, San  
6 Bernardino County. This is the old agricultural inspection  
7 station. We've got some derelict buildings. Anybody in  
8 the audience on this item?

9 Without objection, item 30 is approved as  
10 presented.

11 Item 31, the question of endorsing the concept of  
12 a timber harvest and asking the Executive Officer to solicit  
13 bids.

14 EXECUTIVE OFFICER NORTHROP: When such bids are  
15 timely.

16 CHAIRPERSON CORY: These are basically areas that  
17 need to be harvested for good forest practice; is that  
18 correct?

19 MR. GRIMES: Yes, sir.

20 CHAIRPERSON CORY: Anybody in the audience on this  
21 item? Questions from commissioners?

22 MR. BELL: I'd just like to point out that it says  
23 that this would only include "harvest of mature timber and  
24 practices to improve growth and quality of residual trees".  
25 I understand this will only be done under marked conditions

1 that will provide for optimum revenue consistent with  
2 environmental protection. I think it's important that that  
3 be noted.

4 EXECUTIVE OFFICER NORTHROP: The staff appreciates  
5 the emphasis.

6 CHAIRPERSON CORY: Without objection, then, item  
7 31 is approved as presented.

8 Item 32. We have a commission policy regarding  
9 the establishment of federal marine sanctuaries for the  
10 Santa Barbara and Farrallon Islands. As I understand, the  
11 policy proposed here would be similar to what is done in  
12 Florida --

13 EXECUTIVE OFFICER NORTHROP: That's correct.

14 CHAIRPERSON CORY: -- where the State of California  
15 would maintain ownership and control, but participate in  
16 the sanctuary; is that correct?

17 EXECUTIVE OFFICER NORTHROP: That's the program,  
18 Mr. Chairman.

19 CHAIRPERSON CORY: Questions from commissioners?  
20

21 MR. BELL: It's not a question, but as I  
22 understand it, in effect, we're not saying we don't want it.  
23 We just don't want to, in effect, give up everything we  
24 fought for in U.S. vs. California. But it can work this  
25 way, and we therefore are not really opposing, but we are  
supporting the federal marine sanctuary, but just in terms

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1 of conditioning our response.

2 EXECUTIVE OFFICER NORTHROP: That's correct.

3 CHAIRPERSON CORY: Without objection, in item 32  
4 the policy is adopted as presented.

5 Item 33, the Executive Officer is given one of  
6 these power grabs, wanting to sign a contract for  
7 helicopter service. I guess we've exhausted the amount --

8 EXECUTIVE OFFICER NORTHROP: Yes. We've run up  
9 against the \$5,100 we had, and we probably will need an  
10 additional \$3,500 to complete the year. We've been doing a  
11 lot of flying this last couple of weeks.

12 MR. BELL: It is my understanding from  
13 Mr. Northrop that this will not require us to give him  
14 \$3,500 more money, but that the budget has enough in it to  
15 pay for it, correct?

16 EXECUTIVE OFFICER NORTHROP: Right. We have money  
17 in the budget. It will be internal transfers.

18 CHAIRPERSON CORY: Anybody in the audience?

19 Without objection, item 33 is approved as  
20 presented.

21 Item 34, the Department of Justice (contractor).  
22 The Executive Officer is to solicit and execute an  
23 interagency agreement.

24 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, for  
25 the record, that should be \$250,000 rather than \$225,000.

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1 CHAIRPERSON CORY: Close enough for government  
2 work.

3 MR. BELL: And this is for the Attorney General's  
4 staff that works on our case?

5 EXECUTIVE OFFICER NORTHROP: That's right.

6 MR. BELL: I have no objection.

7 CHAIRPERSON CORY: Questions?

8 Without objection, 34 is approved as presented.

9 Item 35. This is the contract for the Washington  
10 lawyers, right?

11 EXECUTIVE OFFICER NORTHROP: Right. Mr. Chairman,  
12 the calendar should reflect \$100,000 rather than \$50,000.

13 CHAIRPERSON CORY: Questions from commissioners?

14 MR. BELL: Yes, Mr. Chairman. I would like  
15 Mr. Northrop to explain the urgent problems that now  
16 confront us where it's relatively important that we now have  
17 our Washington representation.

18 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,  
19 Mr. Bell, we will discuss this in executive session today.  
20 There has been an interpretation of the windfall profits  
21 tax that could prove extremely costly to the State of  
22 California. Until we resolve this problem, I would imagine  
23 the Chairman and perhaps the Executive Officer and several  
24 others may be in Washington before the end of the week on  
25 this problem. The Chairman doesn't know about it yet.

1           It's a serious problem because of the  
2 interpretation of the windfall profits tax by the Treasury  
3 Department. I think we are going to require considerable  
4 work on that issue before this time next year if we're  
5 really going to have the windfall profits tax reflect what  
6 we understood it to reflect, and that is that the State of  
7 California is exempt from the windfall profits tax as far as  
8 our own production in the state tidelands is concerned. That  
9 is going to be a substantial piece of work.

10           Because of the potential litigation involved, we  
11 will discuss it further in executive session.

12           MR. BELL: Thank you.

13           CHAIRPERSON CORY: Anybody in the audience on 35?  
14 Without objection, item 35 is approved as  
15 presented --

16           MR. BELL: As amended to \$100,000.

17           CHAIRPERSON CORY: -- as amended.

18           Item 36. This is a request for resumption of  
19 drilling on gas lease PRC 2879.1.

20           EXECUTIVE OFFICER NORTHROP: This is approval of  
21 certification of the EIR, Mr. Chairman. We have other  
22 problems, but we will discuss that in executive session.

23           CHAIRPERSON CORY: Anybody in the audience on  
24 item 36?

25           MR. ACKERMAN: It's an existing well site?

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1 CHAIRPERSON CORY: An existing platform.

2 EXECUTIVE OFFICER NORTHROP: What we're putting  
3 here is one exploratory well.

4 CHAIRPERSON CORY: But the platform exists.

5 EXECUTIVE OFFICER NORTHROP: No. These are sea-  
6 floor completions. There is no platform involved on that  
7 particular lease.

8 Don, we've got the map up there. You might as  
9 well point to it.

10 MR. BELL: Mr. Northrop, as I read the EIR, the  
11 part that's in the report, I see it does not pertain to  
12 production but merely, in effect, the --

13 EXECUTIVE OFFICER NORTHROP: -- the exploratory  
14 well. That's correct. There is no production covered in  
15 this EIR. Additional documentation will have to be done  
16 to carry out the production.

17 MR. BELL: Thank you.

18 MR. EVERITTS: The proposal is to drill one to  
19 four exploratory wells from a floating drilling vessel in  
20 this lease here (indicating). This (indicating) is the  
21 area where we had those very high OCS bids recently: \$95  
22 million, for example. This (indicating) is the area where  
23 we asked for money in our budget to do geophysical work.

24 CHAIRPERSON CORY: And the one that the feds left  
25 out is the one where that steep canyon is?

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1 MR. EVERITTS: Right.

2 EXECUTIVE OFFICER NORTHROP: Right, that was the  
3 one.

4 CHAIRPERSON CORY: On our side of that -- the  
5 canyon, as I recall, terminates someplace over onto ours,  
6 so if there's a reservoir there, we can likely get to it  
7 from our side safely.

8 EXECUTIVE OFFICER NORTHROP: That's right. However,  
9 that parcel may be included in the next lease sale. Right  
10 now it's in a nomination.

11 CHAIRPERSON CORY: Any further questions from  
12 commissioners?

13 MR. BELL: No. I understand it.

14 CHAIRPERSON CORY: Without objection, we will  
15 certify EIR number 255.

16 Item 37. Aminoil wishes to put an additional --

17 EXECUTIVE OFFICER NORTHROP: -- steam drive  
18 outrigger, right.

19 CHAIRPERSON CORY: It's a platform that extends  
20 out onto the side of the existing platform.

21 EXECUTIVE OFFICER NORTHROP: An EMMY annex.

22 CHAIRPERSON CORY: Any questions from  
23 commissioners or from the audience?

24 MR. SHELDON: Yes, Mr. Chairman. I'm Spencer  
25 Sheldon, the manager of public affairs for Aminoil U.S.A.,

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1 Inc. I'd like to take this opportunity to relate to the  
2 commission our satisfaction with the way the CEQA process  
3 was applied to this project. I'd like to say that it was  
4 the professionalism exhibited by Mr. Don Everitts and,  
5 specifically, members of his staff, Mr. Al Willard and  
6 Mr. Gene Schaefer, that permitted, in our view, this project  
7 to proceed in a reasonable time frame. I'd like to express  
8 our appreciation to those gentlemen, and I would urge the  
9 commission's approval of this recommended, innovative, and  
10 promising enhanced-oil-recovery project.

11 EXECUTIVE OFFICER NORTHROP: The bumlbers did it  
12 again!

13 (Laughter.)

14 CHAIRPERSON CORY: Questions from commissioners?  
15 Without objection, item 37 will be approved as  
16 presented.

17 Item 38, approval to adopt a new article for the  
18 California Administrative Code concerning ocean-floor --

19 EXECUTIVE OFFICER NORTHROP: Right, semi-  
20 submersibles. We will be using these regulations on this  
21 new program.

22 MR. BELL: That ties back into item 36?

23 EXECUTIVE OFFICER NORTHROP: Right.

24 CHAIRPERSON CORY: The applicant in 36 is aware  
25 of these regs?

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1 EXECUTIVE OFFICER NORTHROP: Mr. Sheldon, you're  
2 aware of the new regs, right?

3 CHAIRPERSON CORY: That would not be Aminoil.  
4 That would be Union.

5 EXECUTIVE OFFICER NORTHROP: Right, Union. I'm  
6 sorry.

7 They are aware of it.

8 CHAIRPERSON CORY: Anybody in the audience on  
9 item 38?

10 Without objection, approval is granted.

11 Item 39. This is a one-year survey permit at  
12 Owens Lake to try to figure out how to control the dust in  
13 that area.

14 EXECUTIVE OFFICER NORTHROP: That is correct,  
15 Mr. Chairman.

16 CHAIRPERSON CORY: Anybody in the audience on  
17 this item? Questions from commissioners?

18 Without objection, 39 is approved as presented.

19 Item 40. This requests approval to award sell-  
20 offs on the 4.5-percent increment from the Long Beach Harbor  
21 tidelands and 12.5 percent from Parcel A.

22 EXECUTIVE OFFICER NORTHROP: Champlin Petroleum  
23 was the high bidder of the six companies that bid. It's  
24 approximately 695 barrels a day. It is 65 cents a barrel  
25 over posted.

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1 MR. BELL: So instead of losing money, we will  
2 actually get a little bit more this time around.

3 EXECUTIVE OFFICER NORTHROP: This time around  
4 we'll get a little.

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

7 Without objection, the award will be approved as  
8 presented.

9 Item 41, seventh modification to the plan of  
10 development for Long Beach. Moose wants some vacuum trucks,  
11 right?

12 MR. THOMPSON: Right.

13 CHAIRPERSON CORY: Two vacuum trucks?

14 MR. THOMPSON: Right.

15 CHAIRPERSON CORY: And we're currently leasing  
16 them, and it's cheaper to go ahead and buy them and get  
17 them paid for in two years.

18 MR. THOMPSON: No augmentation required. Transfer  
19 of funds.

20 CHAIRPERSON CORY: Anybody in the audience on this  
21 item -- other than the existing lessee?

22 Without objection, the seventh modification is  
23 approved.

24 The eighth modification is for --

25 EXECUTIVE OFFICER NORTHROP: -- change of outs and

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1 ins on the program.

2 MR. THOMPSON: This is the reporting of the  
3 production and a couple of additions there in the plan.  
4 We're fairly close to our oil estimate. Of course, our  
5 revenue is up drastically because of the decontrol of heavy  
6 oil.

7 Again, for the Long Beach Unit we estimate net  
8 income for the current year to be \$351 million. However,  
9 that is before any consideration of windfall profits --

10 CHAIRPERSON CORY: Are you on item 44 or item 42?

11 EXECUTIVE OFFICER NORTHROP: Item 42 is the  
12 eighth modification.

13 MR. THOMPSON: All right. This budget as we've  
14 augmented and carried in has gone from \$80 million to \$113  
15 million. We expect to carry out about \$21 million, because  
16 we have a lot of big projects going, some of which will be  
17 carried over into the next year.

18 Again, we want to point out that these particular  
19 numbers for net income are before any consideration of the  
20 windfall profits tax, which is really up in the air now.

21 CHAIRPERSON CORY: Any questions?

22 MR. ACKERMAN: This is just a revision of the  
23 estimates?

24 MR. THOMPSON: Yes.

25 CHAIRPERSON CORY: It basically means that some

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1 of the money that was planned to be spent in one period of  
2 time is going to be spent in another. It's not really a  
3 substantive change in the long stream of things in terms of  
4 the total number of dollars that will be spent.

5 MR. THOMPSON: Right. This will be carried out,  
6 and those particular dollars will augment next year's  
7 budget, and we will report that at the end of the year.

8 CHAIRPERSON CORY: We'll just spend it later.

9 MR. THOMPSON: Never save any; just delay spending.

10 CHAIRPERSON CORY: All right. Approval of item  
11 42 is granted with objection.

12 Item 43, information on the caustic flood.

13 MR. THOMPSON: This is a semi-annual report we  
14 bring to you. This covers the last quarter of '79 and the  
15 first quarter of this year. This is this cost-sharing  
16 project with the Department of Energy for this caustic  
17 demonstration project.

18 This originally was set up so that it would be a  
19 sharing of the costs at 60 and 40 between the federal  
20 government and the state. Also, the federal government then  
21 would be reimbursed if there were any incremental oil  
22 produced out of this.

23 The project area is shown on the map on the right  
24 there and includes the areas between the two injection rows  
25 you see there in dashes, plus two rows of wells on either

1 side, because the material that's injected in those  
2 injection wells that are shown along those dashed lines  
3 actually will influence the wells both north and south. So  
4 actually, there about 20-some wells here.

5 The way the incremental production was worked out  
6 is that a base case of the waterflood prediction was made.  
7 You'll see that on the other graph here. That's what they  
8 estimate if the waterflood had gone along.

9 You see now that there is a production difference  
10 between that line and the actual production shown in the  
11 caustic project rate there.

12 Of interest is the fact that because of this  
13 incremental oil the federal government has gotten back  
14 about 12 percent of the money they invested in this. If  
15 the project continues to go, they will in effect bail  
16 themselves out of their investment.

17 CHAIRPERSON CORY: They get theirs off the top  
18 before we get our share back?

19 MR. THOMPSON: No. We share the same percentage  
20 as for the investment: 60 and 40 above that baseline you  
21 see there for the prediction. Right now we're actually  
22 producing almost 500 barrels a day above that baseline.

23 This is not a response, actually, to the caustic  
24 material. A lot of this is the repair work we did in there,  
25 but that's all part of the project to which they contributed.

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1 CHAIRPERSON CORY: So you can't yet ascertain  
2 whether or not the caustic flood is worth doing?

3 MR. THOMPSON: No, because we've just now started  
4 injecting the caustic. We have a lead time to see what  
5 happens. As soon as we get some future history, we'll see  
6 what happens from the repair work and what decline starts  
7 there and how much we can really count on from this project.

8 CHAIRPERSON CORY: Questions from the  
9 commissioners? Anything from the audience?

10 Okay. Item 44, review of production and revenue,  
11 Parcel A.

12 MR. THOMPSON: Again, we're reporting more revenue  
13 than we had before, primarily because of the release of the  
14 heavy oil. Approximately 92 percent of the oil from this  
15 particular property has a gravity of 20 degrees or less.

16 Again, when we talk about this particular amount  
17 of revenue, we still have some questions on how the windfall  
18 profit tax will be handled.

19 They start in March, and those accounts may be revised  
20 in the next couple of months. We've already had one  
21 revision from the unit that took up March and April.

22 CHAIRPERSON CORY: Questions from commissioners?

23 Thank you.

24 Item 45, internal control and operations audit of  
25 THUMS Long Beach Company.

1 EXECUTIVE OFFICER NORTHROP: Mr. Trout has been  
2 working on that program, Mr. Chairman.

3 MR. TROUT: Mr. Chairman, in response to the  
4 inquiry and discussion before the commission last month, we  
5 have developed a scope of audit in conjunction with  
6 interested firms. We contacted the eight major firms doing  
7 management and financial audits and reduced them by the  
8 number of firms which are now under contract to the major  
9 participants in the THUMS corporation, leaving three  
10 companies. We talked to two of those companies, and with  
11 their advice and counsel developed the scope of audit, which  
12 is included in the green pages of your calendar, pages  
13 213(b) and following.

14 What we propose from the staff's standpoint is to  
15 get your approval of this scope of audit and to authorize  
16 the development of a request for proposal. Those proposals  
17 would be evaluated and brought back to the commission, and  
18 we expect that this range of audit provided in the scope  
19 would cost about \$200,000 and would take between 90 and 120  
20 days to complete.

21 We have two letters from the city auditor of  
22 the City of Long Beach, one questioning the need for this at  
23 this time but offering his complete cooperation (that letter  
24 being dated May 7th, which is part of your package), and  
25 yesterday we received a letter dated May 7th [sic], in which

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1 the city auditor suggests that instead of auditing THUMS we  
2 have the city and state audits audited.

3 CHAIRPERSON CORY: Who are the three nontainted  
4 firms?

5 MR. TROUT: They are Ernst and Whinney; Peat,  
6 Marwick, Mitchell and Company; and Touche Ross and Company.

7 CHAIRPERSON CORY: Questions from commissioners?

8 MR. ACKERMAN: Do the letters from the auditor in  
9 Long Beach require response?

10 EXECUTIVE OFFICER NORTHROP: We are responding.  
11 The letters were addressed to the commissioners, and I am  
12 preparing a response to be circulated to the commissioners.  
13 Generally, the response is going to indicate the fact that we  
14 appreciate his help and will be certainly looking to it, but  
15 we feel that the audit must address issues which are  
16 primarily of interest to the state. In no way are we  
17 implying that his audits were improper or inadequate.

18 We're just trying to find out whether our interest  
19 is being best served given the way the audits are being done  
20 now, and secondly, it will set up a pattern we can follow  
21 in future audits.

22 MR. ACKERMAN: Will this also encourage the city  
23 to set up their procedures and audits to facilitate any  
24 continuing state audit?

25 EXECUTIVE OFFICER NORTHROP: As we get into the

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1 audits and we see what they are doing versus what our  
2 contractor feels should be done, that certainly is going to  
3 be a part -- that's one of the things we've asked them to  
4 look at, yes, sir.

5 CHAIRPERSON CORY: Thinking about the timing, you  
6 would be going out with the scope looking for competitive  
7 bids to have this task done; is that correct?

8 MR. TROUT: That's correct.

9 CHAIRPERSON CORY: When do you expect that  
10 selection to be made?

11 MR. TROUT: Depending on the response that we get,  
12 it will be either at the June or July commission meeting.  
13 We're looking for a report possibly in November.

14 CHAIRPERSON CORY: Given the unique circumstances,  
15 I would think that it would be better -- I'm not sure when  
16 the November meeting will be held, but I think it's likely  
17 to be better off in December, just in terms of the timing.  
18 I think it tends to make the whole thing more neutral and  
19 lessen the concerns the city auditor or other people might  
20 have.

21 MR. TROUT: I understand.

22 CHAIRPERSON CORY: Just be cognizant of those  
23 time frames.

24 MR. BELL: Yes, and I think any response that the  
25 Executive Officer has to the city should reflect that

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1 impartiality.

2 EXECUTIVE OFFICER NORTHROP: All right.

3 MR. BELL: The fact that there is no lack of  
4 confidence in him, but the fact that we have different  
5 interests.

6 CHAIRPERSON CORY: Without objection, then, in  
7 item 45 approval is granted.

8 Item 46, authorization to file a disclaimer on  
9 15.58 acres, more or less. Another one of Bob Hight's  
10 giveaways.

11 Anybody in the audience on this item? Questions  
12 from commissioners?

13 Without objection, authorization is granted in 46.

14 Item 47, retrocession of jurisdiction at North  
15 Island Naval Air Station, San Diego.

16 They still want retrocession?

17 MR. HIGHT: Yes, Mr. Chairman. They would like a  
18 retrocession of exclusive jurisdiction so that it would give  
19 state and federal government --

20 CHAIRPERSON CORY: -- concurrent jurisdiction?

21 MR. HIGHT: -- concurrent jurisdiction. This is  
22 just an authorization to hold a hearing.

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

25 Without objection, authorization for the hearings

1 is hereby granted.

2 Item 48, compromise settlement with Jesse Yohanan  
3 and Joreita Yohanan. This is a compromise settlement that  
4 involves swapping some land in San Mateo County,  
5 San Francisco Bay, for a parcel along the south shore of  
6 Suisun, right?

7 EXECUTIVE OFFICER NORTHROP: Right, and kudos, if  
8 we're passing them out today, should go to Walter Cook and  
9 his staff for the work.

10 CHAIRPERSON CORY: Is there anybody in the  
11 audience on item 48?

12 MR. BELL: What are the acreages?

13 EXECUTIVE OFFICER NORTHROP: We're giving up 9.6  
14 acres, as I recall --

15 CHAIRPERSON CORY: It's 9.36 acres.

16 EXECUTIVE OFFICER NORTHROP: I stand corrected.  
17 It's 9.36 acres, and we're getting a 67.5-percent interest  
18 in an approximately 441-acre parcel in Suisun Marsh.

19 CHAIRPERSON CORY: Who owns the other part of  
20 that?

21 EXECUTIVE OFFICER NORTHROP: That was a piece we  
22 had purchased together with -- whom did we buy that with?

23 MR. TROUT: We entered into a land bank agreement  
24 with the Trust for Public Lands.

25 CHAIRPERSON CORY: So the other 30-some percent is

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1 owned by --

2 EXECUTIVE OFFICER NORTHROP: We own part of the  
3 other 30 percent, because we had another settlement and  
4 picked up a small portion of it.

5 MR. ELL: So we're moving towards 100 percent.

6 EXECUTIVE OFFICER NORTHROP: Right. I think it's  
7 been a first class program.

8 MR. ACKERMAN: We might also point out to some  
9 legislators that the commission does actively pursue land  
10 swaps.

11 CHAIRPERSON CORY: We thank Walter Cook's team at  
12 the same time we approve and authorize the execution of the  
13 agreement as proposed in item 48.

14 Item 49, Mr. Hight.

15 MR. HIGHT: Yes, Mr. Chairman. This is the  
16 authorization for the commission to be made a party to the  
17 City of Sausalito vs. Haas suit, in which the city is  
18 seeking ejection from some land. The Public Resources Code  
19 requires that the commission be made a party to this suit.

20 CHAIRPERSON CORY: If we become a party to this,  
21 do we have to take an active part in it? Or does the  
22 City of Sausalito carry the ball?

23 MR. HIGHT: The City of Sausalito, I believe, will  
24 basically carry the ball. One of the conditions of  
25 becoming a party in this is that the record will be cleaned

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1 up relative to our title in the area. Right now the record  
2 is questionable.

3 CHAIRPERSON CORY: Questions from commissioners?  
4 Without objection, item 49 is approved as  
5 presented.

6 Item 50. This is a settlement of accepting hard  
7 money, \$10,000, for some mineral reserves in Mono County  
8 that was patent land. God knows where they are, and we're  
9 going to take the money and run, as I understand it.

10 MR. HIGHT: Yes, Mr. Chairman.

11 MR. BELL: This is a Kremkow problem, wherever he  
12 may be.

13 CHAIRPERSON CORY: Why are we not throwing that  
14 into the land bank? Why are we taking cash?

15 MR. TROUT: These are state school lands,  
16 Mr. Chairman, and we are required to put the money in the  
17 general fund.

18 MR. BELL: No. It goes in the state school fund,  
19 unfortunately.

20 (Thereupon Chairperson Cory and  
21 Mr. Bell held a discussion off  
22 the record concerning that money.)

23 CHAIRPERSON CORY: Is there anybody in the  
24 audience on the Groves matter? Questions from commissioners?  
25 Without objection, approval of the proposed

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1 settlement is granted.

2 Item 51, approval of certification of the  
3 Capistrano Beach storm drain outfall. The dispute between  
4 Fish and Game and the county has been --

5 EXECUTIVE OFFICER NORTHROP: -- been resolved.

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

8 Without objection, item 51 is approved as  
9 presented.

10 That concludes our formal agenda. We are going  
11 into ~~executive session~~ to discuss litigation, which is one  
12 of the purposes that is authorized under the Brown Act. So  
13 we would like our guests to please absent themselves from  
14 the room so we may deliberate.

15 (Thereupon this public meeting  
16 of the State Lands Commission  
17 was adjourned at 10:53 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

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

That I am a disinterested person herein; that the foregoing public meeting of the State Lands Commission was reported in shorthand by me, Paul D. Ramshaw, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 19<sup>th</sup> day of June, 1980.



PAUL D. RAMSHAW  
Certified Shorthand Reporter  
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