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MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2107
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, MARCH 5, 1981
10:00 A.M.

EVELYN J. DUGGAN
Shorthand Reporter

MEMBERS PRESENT

- 1 Kenneth Cory, Chairperson, State Controller
- 2
- 3 Susanne Morgan, representing Mary Ann Graves, Director
- 4 of Finance, Commissioner
- 5 David Ackerman, representing Mike Curb, Lieutenant
- 6 Governor, Commissioner

STAFF PRESENT

- 7
- 8 William F. Northrop, Executive Officer
- 9 Robert Hight
- 10 James Trout
- 11 Diane Jones, Secretary
- 12

ALSO PRESENT

- 13
- 14 Dennis Eagan, Deputy Attorney General
- 15 Mike McCormack
- 16 Robert Buchanan
- 17 Robert Armstrong
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P R O C E E D I N G S

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CHAIRPERSON CORY: We'll call the meeting to order.

Any corrections or additions to the minutes of the January 26th meeting? Without objection, the minutes will be approved as presented.

Mr. Northrop.

EXECUTIVE OFFICER NORTHROP: Thank you very kindly, Mr. Chairman.

The first item is the Cablecom-General of Modesto, in which Cablecom of Modesto proposed to install on existing upland Pacific Telephone Poles an overhead television transmission cable across the Toulumne River at Modesto, Stanislaus County.

The crossing is a necessary part of Cablecom's project to extend television cable service to South Modesto. The reason for this appearing in this report is, the Board of Supervisors of the County of Stanislaus has passed a resolution urging all governmental agencies with jurisdiction to expedite their investigations in this project. Also, we received a request from Assemblyman John Thurman asking us to get with it on this project.

A negative declaration has been prepared by the Board of Supervisors of Stanislaus County for the project.

1 A Notice of Determination is on file in the office of the
2 Secretary of Resources. No negative comments have been
3 received by the staff from agencies with jurisdiction.

4 With the Commission's consent, I will issue a
5 temporary right-of-way letter authorizing Cablecom's project.
6 The temporary right-of-entry will commence March 16, 1981, and
7 terminate May 15 of 1982. Staff is currently processing
8 the Cablecom lease and will bring it to the Commission as
9 soon as possible in a formal manner.

10 CHAIRPERSON CORY: Are we getting a clear foot
11 on this?

12 EXECUTIVE OFFICER NORTHROP: I don't believe we
13 are, Mr. Chairman.

14 CHAIRPERSON CORY: Is it a Public Utility
15 mandatory --

16 EXECUTIVE OFFICER NORTHROP: No, it does not
17 fall under the mandatory Public Utility concept, because
18 this is a private entity.

19 CHAIRPERSON CORY: It would be without fee?

20 EXECUTIVE OFFICER NORTHROP: Mr. Grimes, if you
21 would enlighten me.

22 MR. GRIMES: We would hope not. It will be strung
23 on pole lines that are in under Public Utility no fee leases,
24 but we would hope to get something out of them.

25 CHAIRPERSON CORY: What if they start running

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1 X-rated?

2 MR. GRIMES: We get viewing privileges.

3 (Laughter.)

4 CHAIRPERSON CORY: Any questions from the
5 Commissioners on this item?

6 MS. MORGAN: I wouldn't dare.

7 EXECUTIVE OFFICER NORTHROP: Thank you, and I'll
8 proceed, Mr. Chairman.

9 The second one concerns Southern California
10 Edison Company. On February 1st, the Edison Company filed
11 an application for an easement to construct, operate, and
12 maintain an electrical transmission line over a parcel of
13 State School land near Desert Center in Riverside County.
14 In addition, Southern California Edison requested a
15 temporary right-of-way entry to enter the property for the
16 purpose of testing the soils in the vicinity of the proposed
17 towers.

18 The right-of-way entry shall be valid for a period
19 of 90 days, will be valid for a period of 90 days, with the
20 Commission consent, commencing on the date of the proposed
21 agreement, the proposed agreement is executed and returned
22 to the Commission. The staff is currently processing a lease
23 for Southern California Edison which will be presented to
24 the Commission at an upcoming meeting.

25 With the Commission's consent, I will issue a

1 temporary right-of-word entry letter authorizing Southern
2 California Edison's project.

3 CHAIRPERSON CORY: Any problems with the
4 Commissioners?

5 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, I have
6 one more item.

7 Debbie Townsend, who has been our girl in the
8 back and secretary in the Executive Office has been
9 recently promoted to a Land Agent and is moving out, and
10 Jane Smith will be taking her place.

11 The two girls in the back, would you stand?
12 So our office now is Jane Smith and Diane Jones, if you
13 could believe that.

14 Thank you very kindly.

15 CHAIRPERSON CORY: Report on the Coastal
16 Commission.

17 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, we
18 have no Coastal Commission report at this time.

19 CHAIRPERSON CORY: The next item on the agenda
20 are the Consent Calendar items. They're preceded by the
21 letter C. They're C's 1 through 24.

22 Is there anybody in the audience that has any
23 difficulty with the proposed staff recommendation on any
24 of these items, because they will be taken up all together
25 at one time, if there is no objection.

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1 MS. MORGAN: I'd like to ask a question on C5.
2 Do you want to pull that or do you want me to
3 ask my question?

4 CHAIRPERSON CORY: Ask your question.

5 MS. MORGAN: C5 is for Santa Barbara. Would the
6 expenditure go for public use facilities, or is it for
7 private?

8 CHAIRPERSON CORY: C5, what is it they're going
9 to do with the \$250,000?

10 EXECUTIVE OFFICER NORTHROP: This is \$250,000 of
11 the money that Santa Barbara has for a project in Santa
12 Barbara Harbor, to be used out of their funds.

13 CHAIRPERSON CORY: But it is for public?

14 EXECUTIVE OFFICER NORTHROP: Under the trust
15 Commerce Navigation and Fisheries, it falls under that
16 classification, yes.

17 MS. MORGAN: That's fine.

18 MR. TROUT: It's actually almost a million --

19 EXECUTIVE OFFICER NORTHROP: It's a very large
20 amount, but the \$250,000 mark is, as you know, a trigger.

21 CHAIRPERSON CORY: Any further questions from the
22 Commissioners? All right.

23 EXECUTIVE OFFICER NORTHROP: I just received a
24 note that C13 is asked to be pulled.

25 Would counsel, would you care to --

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MR. HIGHT: Yes, Mr. Chairman.

There's some environmental questions that we wanted to look at before we put this back on calendar.

CHAIRPERSON CORY: Can I just ask a question? I mean, I was briefed on the calendar some 23 minutes ago. And that item was on there.

Can somebody explain to me what's happened in 23 minutes? Who did you meet in the men's room?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, since that time I talked to the head of the department, and Mr. Grimes didn't tell me he had a problem with it either, so I don't know what the problem is.

MR. HIGHT: We forgot about it.

CHAIRPERSON CORY: You forgot to tell us, all right. That's a good explanation. Incompetence I can understand.

All right. We have, then, Items C1 through 24, excluding 13.

Without objection, the Consent Calendar will be approved as presented.

Item 25.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item 25 will be presented by Mr. Trout.

MR. TROUT: Mr. Chairman, Commissioners, if I could ask you to look to your left on the wall, there are

1 two exhibits up there. The one on the right is an aerial
2 photo showing the actual cut-off area of north or west
3 Newport Beach, depending on how you perceive Newport Beach.
4 The one on the left is an exhibit of the tidelands area that
5 is currently in the hands of the City of Newport Beach
6 and has been drilled in the past. It shows the location of
7 the wells and the path of the wells into the tidelands.

8 The City of Newport Beach is tideland trustee.
9 They were granted the state tidelands, including the
10 minerals.

11 In the past, they entered into a contract for the
12 development of the oil and gas resources. That contract
13 ended up January 25th, 1981. The terms of the contract
14 in general provide that the sub-surface facilities would
15 be turned over to the city. The wells, pumps, tanks, and
16 surface facilities would be sold to the city at fair market
17 value, and that all necessary right of access, pass through,
18 et cetera, for the production of the state tideland resources
19 would also be turned over to the city at the conclusion of
20 the lease.

21 The present situation is that there is a disagree-
22 ment between the City of Newport Beach and the last
23 contractor regarding the exact meaning of those terms and
24 whether or not the city is entitled to operate under these
25 three conditions. As a result, the wells are not now

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producing.

The calendar item is for the Commission to do four things. One is that the Commission is being asked to find irreparable harm is occurring to the sovereign trust through the continued lack of production from those wells. We also are finding that the city is asking the Commission to find that acquisition by the city and the state of a non-exclusive easement over parcels shown on the right-hand map, Parcels B and A on the left and right lower corners of the parcel, which are existing drill sites, is necessary for the production of oil and gas from the state tidelands. The site at the left Parcel B has three wells on it. The parcel on the right, Parcel A, has 13 wells on it. The location, the tracks of the various wells are shown on the left-hand side. The well sites are, however, outside of the corporate city limits of the City of Newport Beach.

The third item that the Commission is being requested to undertake is to authorize the Commission, the Attorney General, and the City of Newport Beach to take such steps as are necessary to acquire this non-exclusive easement of access for those three drill sites, either through negotiation, or if that fails, litigation and/or condemnation.

Finally, the City of Newport Beach may be soliciting legislation which would empower them, for the purposes of extracting these resources from the state

1 tidelands, to exercise the right of eminent domain outside
2 of the city limits.

3 And the fourth thing is that the staff is
4 requesting approval to support such legislation, if you
5 concur in that, if and when it's introduced.

6 CHAIRPERSON CORY: We have some people in the
7 audience on this item. Mr. Armstrong, Mr. Buchanan, do you
8 wish to address the Commission? Would you identify yourselves
9 for the record, please.

10 MR. BUCHANAN: Yes, my name is Robert Buchanan.
11 I'm attorney for Armstrong Petroleum Corporation, and with me
12 is Robert Armstrong.

13 MR. ARMSTRONG: I'm Robert Armstrong.

14 MR. BUCHANAN: He is the president of Armstrong
15 Petroleum.

16 We've reviewed the calendar item as presented to
17 us. We ask that you not accept the recommendation for the
18 following reasons.

19 First of all, there is a contract between the
20 city, and has been a contract between the city and Armstrong
21 Petroleum. This body, your predecessors, but this body,
22 approved the assignment to Armstrong Petroleum in 1968. That
23 contract, at least since 1955, has contained a provision
24 which is in issue between Armstrong Petroleum and the
25 City of Newport Beach. It has to do with one of the obligations

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1 of Armstrong Petroleum at the expiration of the contract.
2 And that's, of course, where we are now, because the
3 contract terminated, did in fact expire on January 25, 1981.

4 The city has taken the position that Armstrong
5 is required to turn over various and sundry rights and
6 equipment.

7 Our position, our reading of the contract is to
8 the contrary, that because of the language in the contract,
9 which we inherited and which this Commission has approved
10 in the past and the city entered into in the past, we're not
11 obliged to do so. We've pointed that out through discussions
12 with the city many, many times.

13 We also asked for arbitration of that issue in,
14 I think, September of 1980. If not September, certainly the
15 first part of October. We were refused arbitration by the
16 City of Newport Beach. We then sought --

17 CHAIRPERSON CORY: Did the contract call for
18 arbitration?

19 MR. BUCHANAN: It permits arbitration. The City
20 took the position --

21 CHAIRPERSON CORY: Does it call for it?

22 MR. BUCHANAN: Yes, it does call for it. It
23 does, but the City took the position, Mr. Cory, that this
24 was not an arbitrable issue within the meaning of the
25 contract.

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1 So then, we went to court. We filed an action,
2 a declaratory release action, again asking the Court to
3 determine these particular issues. These were our conten-
4 tions; these were the city's contentions, your Honor please
5 resolve that. The city has not yet answered that particular
6 plea.

7 Subsequently, we met with the city on at least
8 two occasions in Mr. Armstrong's case, and I was present at
9 one, wherein we suggested that, pending the resolution of
10 the contract dispute, that Armstrong Petroleum continue to
11 operate these wells for the benefit of the city under the
12 contract, not waiving on either part any rights or contest,
13 and, in fact, suggested that during the interim period,
14 after January 25, 1981, that Armstrong Petroleum would
15 permit the city to have, I think, 30 percent of the royalty
16 as distinguished from 12 and a half which had existed for
17 40 years under the contract.

18 The city said no. And the sense of the city's
19 no was, unless you back down from all of your contentions
20 on the contract, we're not going to go along with you on
21 any interim basis. Obviously, we denied, because that would
22 have obviated the whole fight, and there wouldn't have been
23 any interim thing to concern ourselves about.

24 So, reluctantly, the wells were shut down, indeed,
25 as Mr. Trout represents, they are indeed shut down.

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1 CHAIRPERSON CORY: What was the production
2 on those wells?

3 MR. BUCHANAN: A little less than about 5,000
4 barrels a months, or approximately 150 barrels a day on the
5 average.

6 CHAIRPERSON CORY: You are in contract dispute --

7 MR. BUCHANAN: We're in contract dispute, but --

8 CHAIRPERSON CORY: -- but why shouldn't we,
9 as guardians of the public trust, take steps to get that
10 5,000 barrels a month in service as quickly and efficiently
11 as possible?

12 MR. BUCHANAN: Well, we feel this, Mr. Cory,
13 that there is a contract that we and the city entered into.
14 We tried to resolve that through discussion.

15 CHAIRPERSON CORY: Contract questions are just
16 who owes who what.

17 MR. BUCHANAN: No, it's a question of conveyances.

18 CHAIRPERSON CORY: Well, say you're right and
19 you don't convey. That's fine, win all your points.

20 It seems to me the public trust is best served
21 by producing the 5,000 barrels, and we should proceed
22 to assume that you may be right, and we should take steps
23 to make sure that production continues.

24 MR. BUCHANAN: Well, the city -- I think the city
25 is asking you here for what I would term an extra-legal act.

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1 The city has commenced, through resolution, annexation
2 and eminent domain.

3 CHAIRPERSON CORY: I want to know the specific
4 question as to why we should not proceed to maximize the
5 probability of 5,000 barrels a day being produced, assuming
6 you win.

7 MR. BUCHANAN: Well, the city and your
8 Commission certainly are enabled to do that. The city has
9 the absolute title to the tidelands.

10 CHAIRPERSON CORY: And you're asking us not to
11 proceed.

12 MR. BUCHANAN: No, sir.

13 CHAIRPERSON CORY: Explain the distinction.

14 MR. BUCHANAN: All right. We're asking you not
15 to proceed with respect to rights that my client has in
16 these two parcels, A and B. You know, you can proceed and
17 so can the city, in any fashion they care to with respect
18 to development of those tidelands. Those belong to the city
19 and the state. We claim no title thereto.

20 All we're saying is that we're not obliged to turn
21 over our rights in uplands areas which intercede and
22 affect other property rights of ours. We have other oil
23 wells in those areas. We have oil rights in those areas, and
24 any action of the city or the state, if you will, that would
25 deprive us of that is, we feel, not only contrary to contract,

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1 but is denial of due process.

2 So, we think that this is a situation that we've
3 offered to handle with the city on an interim basis so that
4 there would not be any loss of income to the city. They
5 have denied that, and now they come to you and say, well,
6 take it out of our hands, and you've got more strength
7 than we do, and, in effect, take it out of the court's
8 hands. And we don't think that that's a proper thing for
9 the Commission to do.

10 MR. ACKERMAN: Along this question of the
11 Chairman's question, what exactly are you requesting the
12 Commission to do? Take no action at all, or are you
13 recommending some alternative action?

14 MR. ARMSTRONG: Gentlemen, I met with the city
15 manager, and we -- what we maintain is that those wells
16 can be started up tomorrow. We can start those wells.
17 The cash flow can start to the City of Newport Beach.

18 CHAIRPERSON CORY: One hundred percent?

19 MR. ARMSTRONG: Any percent that we can agree upon.

20 CHAIRPERSON CORY: There's the rub.

21 MR. ARMSTRONG: They were getting -- they're
22 getting 12 and a half percent royalty, okay? On a sliding
23 scale royalty that offered them royalties up to 40 percent.
24 We offered --

25 MR. ACKERMAN: That was under the terms of the

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1 contract which expired January 18?

2 MR. BUCHANAN: The 25th.

3 MR. ARMSTRONG: In order to continue the cash
4 flow to the city, and in order to maintain the condition
5 of the wells, you could not treat those wells while they're
6 sitting idle, corrosion continues, and the wells might be
7 sanded up by now. I have no idea, but there's a high
8 probability.

9 CHAIRPERSON CORY: You say that there is some
10 risk by leaving those wells --

11 MR. ARMSTRONG: Absolutely, absolutely.

12 The act of shutting them down allowed -- those
13 wells produce 97 percent water with every barrel of oil
14 that's produced. And that water contains a lot of sand,
15 and the sand drops out and freezes the pumps, et cetera.

16 And what I wanted to do was simply continue the
17 operation for the city's benefit, and the reason I'm
18 offering --

19 CHAIRPERSON CORY: As I understand it, it was
20 for 30 percent city's benefit and 70 percent your benefit.

21 MR. ARMSTRONG: No, 35 percent was to the city.

22 CHAIRPERSON CORY: All right, 35 benefit for the
23 city and 65 percent for yourself.

24 MR. ARMSTRONG: No, that's not correct. There's
25 a royalty that has to be paid to the land owner, because

1 it's Mr. Banning's land. There are pass-through royalties
2 that need to be paid. And by the time the pass-through
3 royalties, the land owner's royalties, and the city's
4 royalties are paid, we pay close to 50 percent royalties.
5 and the remainder, that's out of the gross income. The
6 remainder is for operating the wells, for getting the sand
7 out, for heating the wells, for maintaining the production.

8 And we -- I know what's happening with those
9 wells being shut down. So, I went to the city --

10 MR. ACKERMAN: At 50 percent royalty, are you
11 running a loss on operating those wells?

12 MR. ARMSTRONG: It's hard to say, because I
13 don't know the condition of the wells since they've been
14 shut in.

15 MR. ACKERMAN: When were they shut?

16 MR. ARMSTRONG: At 50 percent royalty, if they
17 were kept on running, we would be making very little money
18 on our investment, very, very little on 50 percent royalty.
19 But the idea was, let's not shut down the wells. That's
20 silly. Nobody's making any money off of it that way.

21 MR. ACKERMAN: When did you shut the wells down?

22 MR. ARMSTRONG: I didn't shut them down. The
23 city shut them down the 25th, and that is absolutely silly.
24 The city could be making money, and we could be operating
25 the wells, although not at a very large profit.

1 And in the meantime, the contract dispute that we
2 have, which is -- what we say is that we don't have to
3 assign them all of those interests because we have other
4 wells there. And what they say is, you've got to assign
5 us the whole thing. And that puts us out of business on
6 our other leases. That virtually puts us out of business.

7 So, what we're asking, back to your question,
8 what we're asking is that the staff, that your folks,
9 recommend that those wells continue to be pumped, and let
10 the judge decide who's right. And we will abide by the
11 findings of the judge.

12 MR. ACKERMAN: What type of royalty will be paid
13 to the city in the meantime while wells are producing?

14 MR. ARMSTRONG: We figure that 35 percent royalty
15 is darn near three times what they were getting, and this
16 is enough to let us operate the wells, although not at a
17 profit.

18 CHAIRPERSON CORY: But you see, sir, you're
19 asking, if all that comes to pass, you, at the end of the
20 expiration of your contract, bootstrap yourself into an
21 exclusive operation.

22 MR. ARMSTRONG: No, sir. No, sir. There's a
23 six-month deadline on that, or until that lawsuit is
24 determined. The city will end up with -- if they're right,
25 Mr. Cory, if they're right, the city will end up with the

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1 rights. They'll end up with the production, and they'll
2 end up with the money. You know, there's no question about
3 it.

4 MS. MORGAN: The part that bothers me is that
5 this ~~is~~ a contract that's been in effect for a considerable
6 period of time, and a lot has happened in terms of oil and
7 revenues and costs.

8 MR. ARMSTRONG: Yes, ma'am.

9 MS. MORGAN: But primarily revenues since the
10 contract was initiated. And it seems to me that it's time
11 to go out and test the market again and see what the public
12 can get from the public lands.

13 MR. ARMSTRONG: If the ~~contract~~ is found by the
14 judge to be in that direction, I couldn't agree with you
15 more.

16 All I'm saying is, give us a chance to let the
17 judge decide who's right. And in the meantime, give us
18 a chance -- I don't care whether a third person determines
19 what that royalty should be -- but I think those wells should
20 be produced. I think it's silly to have them shut in. And
21 I think that if the judge decides that we're wrong, we're
22 wrong. That's the end of the game. If he decides that we're
23 right, then we have rights there like we think we do.

24 I think it's a contract matter. It's not a
25 matter of blasting through there and annexing or condemning

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1 and all of that stuff. We've got a contract, and a judge
2 is going to decide who is right or wrong. And I'm saying,
3 let's produce it in the meantime.

4 MR. ACKERMAN: When did you ask for arbitration
5 under the terms of the contract?

6 MR. ARMSTRONG: I think --

7 MR. BUCHANAN: Either the end of September, 1980,
8 or the first part of October, 1980, while this contract --

9 MR. ACKERMAN: When was that request denied by
10 the city?

11 MR. BUCHANAN: I think within a few days.

12 MR. ACKERMAN: Then when did you ask for some
13 type of declaratory relief?

14 MR. BUCHANAN: We filed that December 5th, I
15 believe, within two months.

16 MR. ACKERMAN: You've had that for three months,
17 then?

18 MR. BUCHANAN: That's right. And there have
19 been procedural battles with the city on that.

20 MR. ACKERMAN: What is the time frame you're
21 looking at for that declaratory relief judgment?

22 MR. BUCHANAN: It depends on the wills of
23 counsel and the burdens of court, Mr. Ackerman. I can't
24 predict that with any certainty.

25 MR. ACKERMAN: What bothers me is that you've

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1 got a contract that expired nearly two months ago, and
2 while you're waiting on a final court action, how long might
3 something like this go on? It would have been nice if all
4 of this had been done prior to the expiration of the contract

5 MR. ARMSTRONG: Well, I was talking to the city
6 three years prior to this expiration, trying to get them
7 to make some sort of extension, trying to see whether we
8 could work something out. And it's like talking to that
9 wall.

10 MR. ACKERMAN: You've asked for both contract
11 extensions or modifications or whatever during this period?

12 MR. ARMSTRONG: Yes, sir, and we just didn't make
13 any headway. So that --

14 CHAIRPERSON CORY: Anybody else in the audience
15 that wishes to comment on this item?

16 Would you come forward and identify yourself
17 for the record, please, sir.

18 MR. McCORMACK: Mr. Chairman, I'm Mike
19 McCormack, and attorney with the firm of Rutan and Tucker.
20 We're representing the City of Newport Beach in connection
21 with the Armstrong matter.

22 And I think basically the problem that we have is
23 that we feel we have had a long-term contract which expired.
24 When Mr. Armstrong acquired that contract in 1968, he knew
25 the expiration date. It expired.

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1 We feel that the contract has to go out and go to
2 competitive bidding after we acquire these facilities. We
3 felt that the contract expressly provided that he should
4 turn over these facilities.

5 He informed us that he wasn't going to turn over
6 the facilities. And he told us that he could litigate this
7 thing and keep it going in the courts for years.

8 As a result of that, we were forced to attempt
9 to go to alternative procedures, and that is to condemn the
10 property so we can get an order of immediate possession.
11 While we are in litigation with him, he has pulled, you know,
12 a number of things, like when his client is in Orange
13 County, and the property is in Orange County, and the city
14 is in Orange County, to go up and file in the City of Los
15 Angeles. And we've had to go to the Appellate Court to have
16 the case removed back to Orange County.

17 He's just rolling out one barrel after another
18 to continue the litigation. And we think that to allow him
19 to, in effect, to bootstrap himself, and to continue to
20 operate at some percentage that he sets or agrees on at this
21 point in time is not the proper procedure.

22 We think that, you know, if he's ultimately
23 successful in his position, we'd have to go in and condemn
24 it anyway.

25 So, what we feel should be done at this point in

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1 time is to allow the staff and city to proceed in the best
 2 fashion to acquire possession of the properties, get the
 3 wells operating. We will be able to then go out and have
 4 a contract by competitive bidding and test the market and
 5 see what the fair rate is. If we win it, if we win the
 6 action ultimately, then we don't have to pay him for any
 7 rights. If he wins that action, ultimately we'll have to
 8 pay him for any rights.

9 Whatever we have to do, we have to acquire the
 10 rights, and we have to acquire them quickly. I don't think
 11 we can depend on him or the courts to resolve that litigation
 12 fast enough to get those wells in production, number one.
 13 And number two, I don't think we should allow him and it's
 14 in the public interest to allow him to dictate the terms
 15 of a contract, in effect, by refusing to abide by the terms
 16 of the preceding contract, bootstrap himself in the position
 17 where he can force the city to continue an operating
 18 agreement that we don't think is fair to the public. That's
 19 our position.

20 MR. ACKERMAN: At any time during the period
 21 of the contract, did the city give any indication to
 22 Armstrong that you would either renegotiate the contract
 23 or continue the terms of the contract?

24 MR. McCORMACK: No, he was notified in -- a year
 25 ago, almost a year ago, that the city did not intend to

1 renew the contract. Simply extend the contract, that the
2 city intended to go to bidding on the contract.

3 MR. ACKERMAN: Did you give every indication
4 that you were going to terminate the contract or let it lapse
5 until its expiration date?

6 MR. McCORMACK: Yes, every indication. Not only
7 that, but he talks about his demand for arbitration. The
8 facts are that he filed a demand for arbitration, appointing
9 his own attorney as one of the arbitrators, which we felt
10 was illegal and improper. We didn't refuse to go to
11 arbitration. We simply filed an objection to that arbitra-
12 tion on the grounds that we felt the issue, meaning the
13 contract, was not an arbitrable issue, that he had improperly
14 designated himself as an arbitrator. And I think our
15 position has been substantiated by recent cases of the
16 State Supreme Court in this state.

17 And then, the provisions of the arbitration in
18 the contract provided that, even when we responded to it,
19 he was supposed to get together with the arbitrator we
20 appointed to appoint a neutral or third arbitrator, and he
21 never did that. So, he never carried through with his
22 own demands for arbitration.

23 So, you know, we think his position is not valid
24 in that direction, either.

25 MR. ACKERMAN: I have a question of our legal

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1 counsel.

2 It seems to me at least maybe there's two
3 questions before the Commission. Or rather, really one
4 that's not before the Commission and one that is.

5 There seems to be a dispute under the terms of
6 the contract. That issue does not seem to be before the
7 Commission. That's something that's in court, and regardless
8 of whatever action may be taken here today, that issue could
9 be decided separately. If there's some type of financial
10 relief, or whatever the court orders, that can be handled
11 separately from anything the Commission is doing here.

12 MR. HIGHT: That's correct.

13 MR. ACKERMAN: Does the action that's recommended
14 in today's calendar in any way prejudice the existing
15 litigation, the declaratory relief effort that Armstrong
16 Oil is taking now? Would our action today prejudice or
17 impact the court judgment in any way?

18 MR. HIGHT: I don't see -- I don't believe so.

19 The action that we're doing now is independent
20 of the legal suit that is presently filed.

21 MS. MORGAN: Has the city made any efforts
22 to seek competitive bids?

23 MR. McCORMACK: Seek what?

24 MS. MORGAN: Competitive bids.

25 MR. McCORMACK: We're not in a position to do that

1 because we don't own all the rights at this point. We have
2 proceeded with numerous condemnation actions to acquire
3 sub-surface rights in the area between the county island
4 and tidelands, and it will acquire approximately 50 percent
5 of those, you know, at considerable expense to the city.
6 But, they have done that. There's some 200 parcels in there,
7 and we're proceeding to acquire the rest of them.

8 We are not in a position to own the surface rights
9 out here. If we can file a condemnation action and get an
10 order of immediate possession, have a right to proceed
11 to own those rights or have possession of those rights,
12 then we're in a position to go to a competitive bid on it.
13 Because, we say here's the rights we own; here's the equip-
14 ment we own; now what do you bid to operate it? And that's
15 what we want, to get in that position as soon as possible.

16 MS. MORGAN: Well, I don't have any problem with
17 what the staff's recommending, but I don't want that action
18 to imply that we support what I consider to be terribly
19 poor business practice on the part of the city, that they
20 didn't move a little faster.

21 If, as they contend, that the contract is clear,
22 then it seems to me that they would have made an effort
23 sooner to seek competitive bids and proceed with the trust
24 that they have.

25 So, I'm not particularly informed on the issue

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1 I only know what you've told us and what is on our agenda
2 item. But, I'm not enamored with the fact that the city --
3 I mean, it does not appear to me that the city has
4 necessarily acted in a very businesslike manner, either.

5 MR. McCORMACK: Well, we have indications from
6 a number of people out in the marketplace that the royalties
7 that would be bid would be substantially higher.

8 MR. BUCHANAN: May I comment, please on this?

9 CHAIRPERSON CORY: I think we're really close
10 to the end of the issue that's before us.

11 MR. BUCHANAN: You've had misrepresentations
12 before you.

13 CHAIRPERSON CORY: I would guess we've probably
14 had misrepresentations on both sides.

15 MR. BUCHANAN: I would suggest that you didn't
16 from our side.

17 CHAIRPERSON CORY: We'll take note that your side
18 has represented pur, proper, and all that is noble, and
19 that the other side is highly questionable, in your view.

20 MR. BUCHANAN: Thank you. I appreciate that.

21 CHAIRPERSON CORY: I think we've taken as much
22 time, probably more time, than we need to on this particular
23 issue.

24 MR. ACKERMAN: One more question.

25 One thing, Ken, that you said at the outset was

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1 part of the Commission's responsibility to protect the
2 public trust, to make sure those wells are producing.

3 If the action is taken today that's suggested
4 in the calendar item, what is the time frame or the likeli-
5 hood of those wells producing again?

6 MR. TROUT: I'm not the attorney to answer, but
7 it would depend on the ability of the courts to make a ruling
8 on a request for an order of immediate possession. And
9 assuming that Mr. Buchanan, on behalf of Mr. Armstrong,
10 would appeal that order, it would have to be whatever time
11 it took for that order to become final.

12 MR. ACKERMAN: In other words, you're saying that
13 continuing litigation could keep those wells shut down for
14 an undetermined amount of time?

15 MR. HIGHT: It's clear that the method that's
16 proposed by the Commission today is much faster, more
17 expedient method, than the declaratory relief action that
18 the city is currently involved in. And this method, I think,
19 could be relatively short, in a matter of -- I hate to
20 venture a guess -- but a couple of months at most.

21 CHAIRPERSON CORY: Mr. Armstrong.

22 MR. ARMSTRONG: To Mr. Ackerman's question, I'd
23 like to repeat that we are ready tomorrow to turn on those
24 wells with the cooperation of the city at an agreed upon
25 royalty that would allow us to operate the wells at a

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1 non-loss position.

2 CHAIRPERSON CORY: I think the record is clear
3 that's your position.

4 MR. ARMSTRONG: And let the court's chips fall
5 where they may.

6 CHAIRPERSON CORY: Would you be interested in
7 allowing a third party, like the state, to come in and
8 operate it during the interim?

9 MR. ARMSTRONG: Sure, let them operate.

10 CHAIRPERSON CORY: And then hold the money in
11 trust and then settle it up when the lawsuit's settled?

12 MR. ARMSTRONG: That's fine, if the state wants
13 to do that.

14 Now, we have the tanks and everything else
15 that can handle that, and it's operated with our other
16 leases. That's why I'm saying that it'll be more convenient
17 for us to do it.

18 But I don't think there's any reason for those
19 wells to be shut down. There is absolutely no reason.

20 CHAIRPERSON CORY: We agree with that. That
21 statement of yours might be an area that the staff should
22 be exploring, and I think that is covered by the proposed
23 staff action here. And maybe that might be a possibility,
24 for a third party to be the intermediary function.

25 EXECUTIVE OFFICER NORTHROP: Would Mr. Armstrong

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1 have any objection if the city acted as our agent in that
2 case?

3 CHAIRPERSON CORY: We're negotiating to negotiate
4 a solution. The city is not here.

5 It's a worthwhile thing to have been put on the
6 table, and I think the staff should confer with Mr. Armstrong
7 and his attorney and the city and their views to see if that
8 avenue can be explored.

9 I think, given what limited options we have
10 before us, we have an issue, and the proposed staff action
11 would permit that negotiation to continue.

12 MS. MORGAN: I think that would be fine. I think
13 the city needs a message from us as well that we're
14 interested in seeing the trust being fulfilled.

15 CHAIRPERSON CORY: And the wells in production
16 as quickly as possible.

17 Is that unanimous?

18 MR. ACKERMAN: I think as long as my understanding
19 is that the action that we're taking today does not prejudice
20 the legal action that Armstrong Oil Company has with the
21 city, so that it still leaves open negotiable solutions,
22 new contracts, or whatever other alternatives the two parties
23 can mutually work out.

24 MR. HIGHT: That's correct.

25 MR. ACKERMAN: As long as that's stipulated and

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1 understood.

2 CHAIRPERSON CORY: The proposed staff action
3 is approved. Item 25 as presented, with the stipulation
4 that the City, Mr. McCormack, if you could inform your
5 client of the concerns of the Commissioners, that this
6 proceed with some alacrity to getting the wells back in
7 production as fast as possible, because we think that the
8 trust dictates that they perform in that fashion.

9 Is that a fair statement?

10 MR. MCCORMACK: Thank you.

11 CHAIRPERSON CORY: Item 26. This is an industrial
12 lease on 23-plus acres in Santa Barbara Channel.

13 This is, what, volumetric?

14 EXECUTIVE OFFICER NORTHROP: Yes, volumetric
15 rental on the pipeline coming in from the outer continental
16 shelf.

17 CHAIRPERSON CORY: Anybody in the audience on this
18 item?

19 Without objection, Item 26 will be approved
20 as presented.

21 Item 27, California Department of Fish and Game,
22 lease for Land Bank Parcel on Suisun Bay.

23 Is there anybody in the audience on this item?
24 Questions from the Commissioners?

25 Without objection, Item 27 is approved as presented.

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1 Item 28, John and Barbara Kearns, formal approval
2 of Redwood Bank as secured lender. This is a financing
3 instrument for some borrowing that they wanted for their
4 own purposes.

5 EXECUTIVE OFFICER NORTHROP: That's correct.

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

8 Without objection, Item 28 will be approved as
9 presented.

10 Item 29, this is giving .7475 percent additional
11 interest in the Land Bank from TPL.

12 EXECUTIVE OFFICER NORTHROP: That's correct.
13 TPL is donating it to cover the parcel donated in Item 27.

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

16 Without objection, Item 29 is approved as
17 presented.

18 Item 30, the staff is requesting approval to
19 offer two parcels of school land containing 46.32 acres
20 located in El Dorado County.

21 Anybody in the audience on this item?
22 Questions from the Commissioners?

23 Without objection, Item 30 is approved as presented.

24 Item 31, Reclamation District 2023. Staff is
25 requesting that we deny without prejudice an application that

1 has been pending for some time. That would be automatically
2 approved if we didn't act. The Reclamation District has
3 not pursued their application.

4 Is there anybody in the audience on this item?
5 Any questions from the Commissioners?

6 Without objection, Item 31, the denial without
7 prejudice, is done without action.

8 Item 32, approval of a 28-year and 3-months --
9 that's a strange term -- general lease.

10 EXECUTIVE OFFICER NORTHROP: It's the balance
11 of the existing lease.

12 CHAIRPERSON CORY: The balance of the existing
13 lease in Rincon on a flat annual rate on this.

14 Is there anybody in the audience on this item?
15 Questions from the Commissioners?

16 Without objection, Item 32 is approved as presented.

17 Item 33 is a proposed new well of Aminoil's
18 on State 5217 lease in the Geysers area, a geothermal lease.

19 Is there anybody in the audience on this item?
20 Questions from the Commissioners?

21 Without objection, Item 33 will be approved.

22 Item 34, Union Oil Company wants amendment to the
23 lease PRC 2879.1 to allow disposal of cleaning mud and
24 cuttings; is that correct?

25 EXECUTIVE OFFICER NORTHROP: That's correct,

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1 Mr. Chairman. Non-contaminating and pursuant to the law
2 passed last year.

3 CHAIRPERSON CORY: Anybody in the audience on this
4 item? Questions from the Commissioners?

5 Without objection, Item 34 is approved as
6 presented.

7 Item 35, this is approval of the Executive Officer
8 to execute a Quitclaim Deed.

9 I have a request here from Mr. Winn. Are you in
10 accordance with the staff's recommendation?

11 MR. WINN: Yes, I am.

12 CHAIRPERSON CORY: So, you're just here if there's
13 any problems.

14 Any questions from the Commissioners? Is there
15 anybody else in the audience on Item 35?

16 Without objection, Item 35 will be approved as
17 presented.

18 Item 36, Long Beach Operations. They want
19 approval for actual revenue for '79-80, and revenue estimates
20 for '80-81 --

21 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, there
22 is a typo on the geothermal revenue as it exists on page
23 202 of the calendar item. This figure is actually reflected
24 correctly in other places in our printouts.

25 The figure for the geothermal in 1980-81 year,

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1 which is shown as 3,000,420 is 5,000,760.

2 It's a typo. This is a general fund item.

3 MS. MORGAN: Next month it'll go the other way.

4 CHAIRPERSON CORY: Do you have Smith of Wells
5 Fargo doing your work for you?

6 (Laughter.)

7 CHAIRPERSON CORY: That was a facetious comment,
8 Fred Smith, Sam Smith, I don't know what Smith.

9 Any questions from the Commissioners on this item?
10 Without objection --

11 MR. ACKERMAN: Are these revenue estimates that
12 you periodically revise?

13 EXECUTIVE OFFICER NORTHROP: Yes.

14 MR. ACKERMAN: Quarterly?

15 EXECUTIVE OFFICER NORTHROP: Probably even shorter
16 time frame than that. We're looking at them probably on
17 a monthly basis. And the minute there's any change,
18 particularly in the items of windfall profits taxes, we will
19 immediately bring those out to you, to the attention of the
20 Commission.

21 MR. TROUT: The legislature put in supplemental
22 language which requires us to report to the Legislature at
23 least twice a year. We did that in August, and this is the
24 final report.

25 EXECUTIVE OFFICER NORTHROP: The updates come to

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1 the Commission as soon as we get them.

2 MS. MORGAN: We haven't had a chance to determine
3 what the implications of the budget may be this year, for
4 your information.

5 CHAIRPERSON CORY: Without objection, then, the
6 approval is granted as requested in Item 36.

7 Item 37 is the Eighth Modification.

8 EXECUTIVE OFFICER NORTHROP: Mr. Thompson will
9 give us a quick rundown on what that is, Mr. Chairman, and
10 he's also handling 38.

11 MR. THOMPSON: Item 37 is the Eighth Modification,
12 and this is really an update of these economic exhibits.

13 In quick summary here, the oil rate is down from
14 that particular quota in the year. The budget is down to
15 \$167 million. And we have, to give you a little idea of
16 the cash flow in this particular thing, because of our construc-
17 tion and purchase of items, we probably carry out about
18 \$30 million. That's the first time we've been able to
19 reflect a knowledgeable number in this particular time as
20 far as carryovers.

21 CHAIRPERSON CORY: Any questions from
22 Commissioners? Anybody in the audience on this item?

23 Without objection, approval of this item, the
24 Eighth Modification, is granted.

25 Item 38. I always have trouble with the Eighth

1 Ninth coming in that close together. I think you could
2 spread them in the agenda.

3 MR. THOMPSON: It's a little hard to combine
4 the two, though.

5 This has been a very busy year, because you've
6 gone along with increased activity because of decontrol of
7 oil prices. So, we're now beginning to finally find the
8 cost of this operation.

9 What we're asking for here is an augmentation of
10 \$10 million, and this will be the first of two augmentations
11 for this balance of the year.

12 The primary big part of this that we told you
13 about before would be about \$4 million for electrical
14 expenses. The cost of each kilowatt hour has gone up
15 since the time that we originally estimated this. We put
16 a 15 percent increase on this for this year, but it wasn't
17 enough. We've talked to you in the past about that.

18 We need some money for wells, and also costs
19 have gone up for waste disposal.

20 CHAIRPERSON CORY: Anybody in the audience?
21 Questions from the Commissioners?

22 Without objection, approval on the Ninth Modifica-
23 tion is granted.

24 Item 39, this is requesting permission for sell-off,
25 or for report, or for what?

1 EXECUTIVE OFFICER NORTHROP: This actually will
2 be from Parcel A. And what we're trying to do is get some
3 conditions to the city and express how we'd like to do this,
4 because there are very short time fuse because the contracts
5 are going to expire September 30th. So, they have to get
6 out and rebid these and get back in.

7 CHAIRPERSON CORY: And this is really a concept
8 of just cutting them down into small increments to minimize
9 the number of bidding?

10 EXECUTIVE OFFICER NORTHROP: We have cut down
11 the 39 and 40 to smaller increments.

12 CHAIRPERSON CORY: Anybody in the audience on this
13 item? Questions from the Commissioners?

14 Without objection, Item 39 is approved as
15 presented.

16 Item 40 --

17 EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Item
18 40 follows Item 39, except this deals with the Long Beach
19 Unit, whereas the other was Parcel A.

20 CHAIRPERSON CORY: It's amazing how often 39 follows
21 40, Bill.

22 Go ahead.

23 EXECUTIVE OFFICER NORTHROP: You have to get four
24 people with ten toes.

25 This is the notification of the Long Beach

1 contractor --

2 CHAIRPERSON CORY: In a railroad town, that's
3 hard to find.

4 EXECUTIVE OFFICER NORTHROP: That's right.

5 Notification of the City of Long Beach to direct
6 a contract and sell-off crude oil at Tract 1 Unit, Long
7 Beach, and these, too, will be in smaller increments.

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

10 MR. BUCHANAN: ~~Yes~~

11 CHAIRPERSON CORY: I'm sorry?

12 MR. BUCHANAN: I have my other client's hat on
13 now.

14 Robert Buchanan, again, in this case representing
15 the five companies comprised in the field contract there.

16 It would be, as you know, in effect a sale
17 by the field contractor of this oil.

18 Three points with respect to the calendar item
19 on this proposed Item 40.

20 One is that the pricing mechanism recommended
21 to you is somewhat similar to that used with sales made
22 last year just going into effect now, but it does not follow
23 Article 9B of the contract.

24 We feel, and we agreed to go along -- that is,
25 my clients agreed to go along with the contracts that are just

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1 now starting despite this pricing clause, or a similar one
2 last year, but under objection. And we would do so here,
3 I believe. I can't commit my clients to going ahead with it,
4 but they wished for me to express my objection here.

5 CHAIRPERSON CORY: Continued objection.

6 MR. BUCHANAN: That's right. And we feel it's
7 outside of the law and outside of the contract.

8 Secondly, with respect to the number of proposed
9 purchases, they're proposed to be 12 here, for an increment
10 of 12 and a half percent.

11 There have been sell-offs, two specific sell-offs,
12 in the last 16 years, the life of this thing. In each case
13 there were three pieces. And those increments were 7 percent,
14 4 percent, and 1 and a half percent. So, the proposal
15 here changes from what's happened in the last 16 years.

16 We have had, through the administrative areas,
17 of the five contractors involved, two of the three just now
18 started -- but of the five contractors total involved, there
19 were some collection problems with two of those five
20 contractors. Of the two new contracts that are just now
21 commencing, we have contract problems that we're trying
22 to get waived out, and we've gone ahead with deliveries,
23 but there's still -- the letter of credit isn't quite proper,
24 and those kinds of things. So, administratively, 12 new
25 parties, vis-a-vis three, is no little thing, despite it

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1 may seem so to you.

2 Secondly, with respect to actual deliveries,
3 it's a physical problem to deliver a lot of oil down there,
4 as I know Mr. Thompson would be aware. I would assume that
5 one or 12 purchasers might be able to make arrangements //
6 with existing pipeline companies. If they were not, then
7 it's going to be one tremendous lot of difficulty down there,
8 physical difficulty, and expense to the unit, as well as
9 just operating difficulties.

10 We feel that this is an unreasonable number.
11 Again, we feel the city and the state are required to be
12 reasonable under these terms, and we feel that 12 is an
13 unreasonable number.

14 We don't know of any reason why it should be
15 12, and why it shouldn't be changed to three. And we
16 recommend that it be left at three, or some number even
17 below three, but certainly not 12.

18 Lastly, I call your attention to the fact that
19 our reading of the contract is that this notice, or if this
20 action of the Commission is premature, both under the law
21 and the contract, the language, as we understand it, says
22 that the notice shall go out when there is no active
23 contract in existence covering any part of this oil. There
24 are contracts in effect covering all of the oil. So, it's
25 premature.

1 CHAIRPERSON CORY: Do you have any questions?

2 MR. ACKERMAN: Yes.

3 Bob, I may be a little confused a little bit here,
4 but my understanding of this item and the previous one was
5 that it does not require separate contracts to be done with
6 12 different companies, but it simply allows it to be done
7 in 12 different pieces, and one company could be successful
8 in bidding on all 12 pieces; isn't that correct?

9 MR. HIGHT: Yes.

10 MR. BUCHAMAN: I suppose that's possible, but
11 that's a speculative thing. And if that one company bid
12 the same bonus on all of them, yes, I could concede we might
13 have one contract.

14 MR. ACKERMAN: The intent here is to try and
15 allow to have greater opportunity for bidding, rather than
16 just zeroing in on the three existing contracts.

17 EXECUTIVE OFFICER NORTHROP: We hope that we can
18 do as you've suggested, one company bidding, or allow as many
19 people in this crude-short world to get some crude. And
20 that's really what our thinking was in the background, that
21 there may be some independents down there that are terribly
22 crude short and would like to bid. And we'd just like to,
23 I guess, spread the poverty, I guess, is the best thing to
24 do, because that's what we're attempting to do.

25 CHAIRPERSON CORY: That's all anyone is ever able

1 to do.

2 MR. THOMPSON: It might be of interest, right now
3 we have a 7 percent, a 4 percent, and a 1 and a half percent.
4 Those start March 1st.

5 The largest one, 7 percent, the bonus for that
6 was 21.6 cents. Of course, for the other two smaller ones,
7 the bonus was 35 cents.

8 We've seen this in the past in a couple of cases,
9 where the larger increments do not command as large a bonus
10 as the smaller ones.

11 We're also proposing here that you go to sequential
12 biddings, that you would bid two parcels a day for six
13 consecutive days, so that everyone would have a chance to zero
14 in and get some oil.

15 CHAIRPERSON CORY: Or to move upwards.

16 MR. ACKERMAN: That would restructure their
17 bids.

18 MR. BUCHANAN: One thing I think, though, to keep
19 in mind is that the bids sent out this past summer did not
20 result in all that many inquiries or bids, as is my under-
21 standing. Mr. Thompson, I'm sure, has the figures on that.

22 So, I don't think -- we can debate all day about
23 whether you're going to get more bids, and that kind of
24 stuff. I'm not here to do that.

25 But I am here to say that, as I read the law and

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1 the contract, the state's only thing that they must do,
2 or can do, is to fix the term of the contract and to send
3 out the notice.

4 I feel the notice is premature and the term we're
5 not objecting to. But the state has no business doing the
6 rest of it.

7 The city has. The city is to provide the terms
8 of the contract, reasonable terms, with approval of the
9 State Lands Commission.

10 Maybe I'm being overly technical, but I'm
11 suggesting to you that the state is reaching beyond it's
12 rights, is premature.

13 Thank you.

14 CHAIRPERSON CORY: You are aware that, if the
15 state came to the conclusion, for some reason, that they
16 wanted to take the entire operation back, they could.

17 MR. BUCHANAN: With legislative action, yes.
18 Yes, certainly, I'm not debating that.

19 CHAIRPERSON CORY: We are planning to convey this
20 information to Long Beach for them to decide whether, in their
21 infinite wisdom as trustee, they wish to follow it.

22 MR. BUCHANAN: That's admirable. Thank you.

23 CHAIRPERSON CORY: Any further questions from the
24 Commissioners? Anybody in the audience on this item?

25 MR. ACKERMAN: One technical question.

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1 You raised the point about solicitation of bids
2 while the contract was in effect.

3 Is that a technical problem with the bidding
4 arrangements?

5 MR. THOMPSON: Well, I'm not a lawyer here,
6 but it seems to me that we're required under this to direct.
7 That's what the Commission must do: direct the oil to be
8 sold off. We can only do that once every year. The last
9 action was on January 24th, 1980.

10 We take this to be the fact that the Commission
11 is going to direct the field contractor, again, to sell the
12 oil off.

13 MR. ACKERMAN: So then, there is no problem?

14 MR. THOMPSON: Well, the lawyers will have to
15 discuss this.

16 MR. NIGHT: We do not see a problem.

17 CHAIRPERSON CORY: But it's an interesting point
18 to talk about if they decide that their objections are more
19 than formal objections.

20 MR. BUCHANAN: That's correct, Mr. Cory.

21 MR. ACKERMAN: The door is opening.

22 CHAIRPERSON CORY: I mean, you've gotta take what
23 shot you can, right?

24 MR. BUCHANAN: Thank you.

25 CHAIRPERSON CORY: Are the commissioners ready to

1 act?

2 MS. MORGAN: Yes.

3 CHAIRPERSON CORY: Item 40, which follows 39,
4 which Mr. Northrop hasn't seen either of in a while.
5 Notification to request the staff to make notification to
6 the City of Long Beach pursuant to the staff recommendation.
7 Without objection, proceed accordingly.

8 Item 41, authorization to file disclaimers in the
9 following actions concerning lands in Stanislaus County.

10 Is there anybody in the audience on these items?
11 Any questions from the Commissioners?

12 Without objection, Item 41 is granted as requested.

13 Item 42, approval to amend the parcel description
14 in connection with the settlement with Arizona.

15 Is there anybody in the audience on this item?
16 Questions from the Commissioners?

17 Without objection, Item 42 is approved as
18 presented.

19 Item 43, authorization to accept 23,500 and 1500.
20 I guess there's a reason why that's in two rather than 25,000.

21 MR. HIGHT: There's two different parcels.

22 CHAIRPERSON CORY: The taking of two parcels
23 of land in Tuolumne County for the construction of New
24 Melones.

25 Is there anybody in the audience on this? It's

1 amazing. I think we could litigate that for eight years,
2 stop New Melones.

3 We're selling land to the Federal Government,
4 right, to build the New Melones and fill that to whatever
5 level they want it. Nobody seems to care.

6 Any questions of the Commissioners?

7 MR. ACKERMAN: You mean there's no one here?

8 CHAIRPERSON CORY: No. Let's move it.

9 Any questions from the Commissioners?

10 MS. MORGAN: No questions.

11 CHAIRPERSON CORY: Without objection, Item 43,
12 approval is granted.

13 Item 44, authorization to file a disclaimer in
14 4.42 acres, where?

15 MR. HIGHT: This is a road easement in Cleveland
16 National Forest.

17 CHAIRPERSON CORY: Anybody in the audience on this
18 item?

19 Without objection, Item 44 is approved as
20 presented.

21 Item 45, authorization for settlement in Nevada
22 County and Sierra County of a lawsuit.

23 Anybody in the audience? Questions from
24 Commissioners?

25 Without objection, Item 45 is approved as

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1 presented.

2 Item 46 is Executive Session.

3 EXECUTIVE OFFICER NORTHROP: Mr. Chairman,
4 before you close, in Item C3 in the Consent Calendar,
5 Steve Soleski from our staff really did a good job of
6 bringing order out of chaos to the Waters Edge Condominium
7 Association.

8 CHAIRPERSON CORY: Would he like a job as the
9 Executive Officer?

10 EXECUTIVE OFFICER NORTHROP: Well, he may. We
11 certainly have got enough raw material for him to work with.

12 Steve, do you want to stand up?

13 CHAIRPERSON CORY: Thank you. We could use a
14 little more order, a little less chaos.

15 Thank you, and we will thank those of you as
16 you leave, so we can go into Executive Session pursuant
17 to whatever court case it was.

18 (Thereupon this hearing before the
19 State Lands Commission was adjourned
20 at 11:05 a.m.)

21 ---OOO---

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CERTIFICATE OF SHORTHAND REPORTER


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I, EVELYN J. DUGGAN, a Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Land Commission Meeting was reported in shorthand by me, Evelyn J. Duggan, 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 24th day of March, 1981.


EVELYN J. DUGGAN
Shorthand Reporter