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MEETING OF THE  
STATE LANDS COMMISSION

STATE CAPITOL  
ROOM 447  
SACRAMENTO, CALIFORNIA

ORIGINAL

THURSDAY, JULY 22, 1982  
10:20 A. M.

Nadine J. Parks  
Shorthand Reporter

PETERS SHORTHAND REPORTING CORPORATION

3435 AMERICAN RIVER DRIVE, SUITE A  
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Members Present:

Kenneth Cory, State Controller, Chairperson

David Ackerman for Mike Curb, Lieutenant Governor,  
Commissioner

Susanne Morgan for Mary Ann Graves, Director of  
Finance, Commissioner

Staff Present:

Claire T. Dedrick, Executive Officer

Greg Taylor

Robert C. Hight

Richard S. Golden

J. F. Trout

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P R O C E E D I N G S

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1 CHAIRPERSON CORY: Call the meeting to order.

2 Any corrections or additions to the minutes of  
3 the meeting of June 29th? Without objection, they'll be  
4 confirmed as presented.  
5

6 Claire, do you have the Executive Officer's  
7 report -- which is in writing before me -- do you have any  
8 comments you'd like to make?  
9

10 EXECUTIVE OFFICER DEDRICK: Yes. I wanted to  
11 tell you that our representative to the Coastal Commission,  
12 Dick Golden, he is retiring; however, he has agreed to stay  
13 on as a retired annuitant -- or however you want to put  
14 that -- he has agreed to continue to represent us on the  
15 Coastal Commission with your permission.

16 We have also begun the reorganization of the  
17 Minerals and Oil Sections in Long Beach so that we're  
18 combining the Long Beach operations with the statewide  
19 operations. Moose Thompson is the chief and Don Everitts  
20 is deputy chief. And to replace Mr. Golden as Chief of the  
21 Lands Branch -- Lands Division is Lance Kiley who was  
22 appointed yesterday.

23 CHAIRPERSON CORY: Okay. I would like to comment  
24 that I'm glad that Dick is staying to continue the  
25 Coastal Commission work. We appreciate you doing that,

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1 Dick. And we will miss you. Since you won't be here  
2 the rest of the time, we'll be eating our hearts out. But  
3 you'll be doing something worthwhile with your time.

4 MR. GOLDEN: Thank you.

5 CHAIRPERSON CORY: Thank you very much.

6 And there is a conflict of interest, I guess,  
7 that should be disclosed, we'll put around it "top secret"  
8 in terms of Kiley's relationship to the Controller's Office.  
9 We have called, though, I want you to know for a full  
10 investigation for the wanton cheating that went on by this  
11 outrageous operation called the Lands Commission. I always  
12 thought these were good people. I really did.

13 (Laughter.)

14 MS. MORGAN: Are you going to tell us the score  
15 of the baseball game?

16 CHAIRPERSON CORY: It's irrelevant. They  
17 cheated. They absolutely cheated.

18 (Laughter.)

19 CHAIRPERSON CORY: And we're going to do  
20 something about that. I never thought that Sean McCartney  
21 was right, but I'm beginning to reevaluate my position.  
22 They're thieves. They stole that baseball game.

23 (Laughter.)

24 CHAIRPERSON CORY: I missed it.

25 MS. MORGAN: That's probably why they won.

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1 CHAIRPERSON CORY: Okay. We have a report on  
2 coastal matters.

3 MR. GOLDEN: Yes, Mr. Chairman, very brief.

4 The State Coastal Commission met in San Mateo  
5 from July 14th through the 16th.

6 An announcement was made of a symposium on the  
7 future role of the State of California in Marine Resources  
8 Management to be held November 7th through the 10th at  
9 Asilomar to be sponsored by the California Coastal  
10 Commission as part of an ocean study project funded by  
11 the William H. Donner Foundation of New York.

12 A project of Caltrans to realign a section of  
13 Pacific Coast Highway in Ventura County near the Los  
14 Angeles County line sparked extensive discussion.

15 Caltrans spoke to the necessity of widening the  
16 roadbed into adjacent tidelands to allow safer public  
17 access through the areas of highest slide potential.

18 This project is on this Commission's agenda  
19 today for a public agency permit as Item C-5. After  
20 exploring every alternative, including the no-project  
21 alternative, the Commission approved the permit on a 6 to  
22 4 vote.

23 Are there any questions?

24 CHAIRPERSON CORY: I have a question. If it was  
25 a six to four vote, we've got something on the consent  
calendar --

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1 MR. GOLDEN: That was the land use one of the  
2 Commissioners was concerned about, because he didn't feel  
3 that there was sufficient quid pro quo being offered by  
4 Caltrans in exchange for taking the tenth of a mile of  
5 tidelands.

6 This point was, I think, rather carefully  
7 gone into by Caltrans and by the staff of the Coastal  
8 Commission by recommending that they had gone into it  
9 very carefully. And the areas that were not subject to  
10 public access at this point, and the increase in public  
11 access offered by Caltrans would be more than adequate  
12 to take care of it. I think that the majority did feel  
13 it was a good project.

14 CHAIRPERSON CORY: Okay. Thank you, Dick. Okay.

15 The next item is the consent calendar. Those  
16 are the items on the agenda with the prefix "C" in front  
17 of the numbers. And they go from C-1 through 14, excluding  
18 12, which has been removed from the calendar. Is that  
19 correct?

20 We will take all of these items up in one motion,  
21 unless somebody in the audience has some objection to the  
22 proposed staff recommendation on these items.

23 Without objection, the consent calendar will be  
24 approved as presented.

25 Item 15. It's a request to approve the form

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1 of the lease between the State and Hometels Development  
2 Corporation.

3 Is there anybody in the audience on this item?

4 Mr. --

5 MR. BRUNSTEN: Bill Brunsten from Manatt,  
6 Phelps, Rothenberg & Tunney.

7 MR. WOOLLEY: I'm Robert Woolley from Hometels  
8 Development Corporation.

9 CHAIRPERSON CORY: Do you have any problems  
10 with the proposed staff recommendation on this?

11 MR. BRUNSTEN: No. We're in favor of it.

12 CHAIRPERSON CORY: Okay. Is there anybody else  
13 in the audience on this item? Questions from the  
14 Commissioners?

15 MR. ACKERMAN: Just one question.

16 There is -- I've noticed one provision in the  
17 calendar item -- maybe the applicants might want to comment  
18 on this -- that it says the Commission reserves the right  
19 to make changes in the lease or other modifications deemed  
20 appropriate.

21 My concern was that if our action today -- and  
22 I know you've requested it -- you've had to go to financial  
23 lenders to put the whole package together, is it a concern  
24 to you how financial lenders may view these change  
25 provisions? It may be jeopardizing arrangements or  
agreements that you have made to them or the Commission's

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made to them somewhere down the road.

And I just wondered how useful this document would be for your purposes with that clause in it.

It says the Commission may -- I believe it's Item 3 in the -- It's Item C or 3 in our action?

MR. TROUT: It's 79-C, Item -- Recommendation 3, which says that the Commission declares the approval of the lease form herein shall in no way prejudice or otherwise affect the Commission's future deliberations and decision relative to Hometels' project.

MR. ACKERMAN: It seems to give the Commission pretty wide latitude to come back for future changes. And since this is a pretty expensive project, I was concerned how extensive those changes might be somewhere down the future and how that might impact you going now with this lease to propose to the lenders.

I guess it doesn't depart from future actions -- I mean previous actions the Commission has taken. You've done this I believe on one other project or two other projects before. I'm all in favor of doing this; I just don't want to approve something in a format that may come back to haunt you. That's all.

And if you're totally satisfied with that Item 3, it's fine with me. I was just concerned about that from your standpoint.

MR. WOOLLEY: Based on the time and the effort

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that we've put in with the staff, and the length of the negotiations of the lease, I'm satisfied to have that clause in there.

CHAIRPERSON CORY: Okay. Without objection, Item 15 will be approved as presented.

I'd almost be wanting to take note that the Lieutenant Governor's Office is that concerned about our National Chairman, but I absolutely won't do that.

(Laughter.)

Item 17. The California Department of Forestry, approval of an interagency agreement for a fire-break. Anybody in the audience on this item? Questions from the Commissioners?

Without objection, Item No. 17 is approved as presented.

Item 18, authorization to offer for --

EXECUTIVE OFFICER DEDRICK: 18 is off.

CHAIRPERSON CORY: 18 is off. At the top of my list I have 12 is off, 16 is off, and 22 is off, and 30,

EXECUTIVE OFFICER DEDRICK: We pulled it this morning.

CHAIRPERSON CORY: 18 is off. All right.

The only way I can get even on that is to cheat on the paychecks.

(Laughter.)

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EXECUTIVE OFFICER DEDRICK: We thought it was safe to win while you were out of town. Obviously, we were wrong.

CHAIRPERSON CORY: Probably the only time in the history of State employment is that going to be handled by payroll deductions. You guys lost.

(Laughter.)

CHAIRPERSON CORY: Okay. Item 19 is execution of an -- execution and acceptance of an agreement for transfer of control of 80 acres. Why don't you tell us what we're doing here?

EXECUTIVE OFFICER DEDRICK: What happened was that several years ago Forestry wanted a lookout station and BLM owned the land. So we traded with BLM and Forestry did the survey and built their fire station. And then it got resurveyed and it turned out it was the wrong piece of land, different from the one that the fire station is on.

MR. ACKERMAN: Sort of like bulldozing the wrong house on the block or something like that?

EXECUTIVE OFFICER DEDRICK: It's not quite that bad. But it's a trifle embarrassing.

CHAIRPERSON CORY: The environmental work must have been inadequate.

(Laughter.)

EXECUTIVE OFFICER DEDRICK: I don't know what

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1 occurred, but I think it was long before that.

2 CHAIRPERSON CORY: Is there anybody in the  
3 audience on 19?

4 Questions from the Commissioners?

5 Without objection, Item 19 is approved as  
6 presented.

7 Item 20. Staff is going to inform us on the  
8 proposed Point Conception leasing.

9 EXECUTIVE OFFICER DEDRICK: Yes. Mainly the  
10 purpose of this item is simply to bring you up to date  
11 on what has, in fact, been going on and what kind of time  
12 frame you can expect further action on.

13 The environmental impact report is in the final  
14 stages of becoming a final environmental impact report.  
15 And the staff and the consultants are -- have reviewed  
16 the comments from all the agencies, from the public, and  
17 are adopting or adapting the final report to cover the  
18 substantive issues.

19 We will be bringing that before you for your  
20 certification, if you choose, at the August 26th meeting.

21 As you read in the informational item, that last  
22 OCS sale was not a very successful sale, but it can't  
23 really be considered a typical sale because the parcels  
24 were bits and pieces scattered around -- some were in very  
25 deep water; some had been offered before.

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1           It is important, I think, that the highest bid  
2 price in the sale was on a piece of land adjacent to one of  
3 our leases further east along the Santa Barbara coast,  
4 the Point Conception area. The bid on the little  
5 triangular parcel with the marine canyon in it that abuts  
6 the formation on our property -- the bid on that was about  
7 \$2,000 an acre. It was rejected by the federal government  
8 and is now going to be -- go out in another cleanup lease  
9 sale.

10           The Long Beach office, as I pointed out, is in  
11 the process of reorganizing to have the statewide use of  
12 all of our personnel. There's an accounting problem, of  
13 course. We have to be very sure that we keep Long Beach  
14 operation separate from everything else so we will be able  
15 better to use our people, I think, in a consolidated  
16 statewide operation.

17           We have geophysical data available to the public  
18 now for their perusal. You have seen those data in  
19 earlier briefings.

20           We have -- the staff has prepared a basic,  
21 general lease form and we are workin, with the oil industry  
22 and the Legislature to try to get unitization agreement  
23 statutes available by the end of this calendar year.

24           And that's where we're at. You still have to  
25 hold a hearing on the final environmental impact report

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1 before you certify it. You must certify that report before  
2 you decide to go to lease, if you so choose. And in  
3 addition to that, you have to hold a hearing under -- what's  
4 the section of the Public Resources Code? But, anyway,  
5 under particular provisions of the Public Resources Code  
6 that requires you to make findings that are listed, but  
7 which are also covered in the EIR, because that section of  
8 the statute is old.

9 If you choose, we can bring that -- hold that  
10 hearing in August or we can hold it at a later time.

11 CHAIRPERSON CORY: Questions from the  
12 Commissioners?

13 MS. MORGAN: Yes. Before we really start into  
14 this, I think I'd like to spend a little time with the staff.

15 EXECUTIVE OFFICER DEDRICK: We'd be glad to.

16 MS. MORGAN: So we can schedule something. I'd  
17 appreciate it.

18 CHAIRPERSON CORY: At this point, though, we're  
19 having a meeting August 26th.

20 EXECUTIVE OFFICER DEDRICK: That's our regularly  
21 scheduled Commission meeting.

22 CHAIRPERSON CORY: And at that point we would --  
23 well, we could start the process, everything, staff working  
24 together, Commissioners -- I'm sort of inclined to want to  
25 proceed with it. Although the one thing I would like the

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1 staff to keep in mind is that we do have an election that  
2 occurs in November. It would seem to me that a lame duck  
3 period between the election and the swearing in of the  
4 newly elected people, I would prefer that during that period  
5 of time we not be awarding leases. If we can -- we can  
6 start the process and make the actual award afterward, I  
7 would feel more comfortable than to deny the public the  
8 right to get even if they don't like our decision.

9 EXECUTIVE OFFICER DEDRICK: Okay.

10 MR. ACKERMAN: I agree. I have one question,  
11 too. At the August 26th meeting if, in fact, a hearing  
12 is held on the EIR process and all at that time, would we  
13 also have before us a decision on what form the lease  
14 arrangements would take as to what type of bid or what  
15 structure that the bid would be?

16 EXECUTIVE OFFICER DEDRICK: That's at your  
17 option.

18 MR. ACKERMAN: Because that's a pretty fairly  
19 complicated decision that has to be made. I think we  
20 really need to have adequate time to weigh each of those  
21 options.

22 EXECUTIVE OFFICER DEDRICK: It's entirely up to  
23 you. You can't make the decision before the EIR is  
24 certified. And after that the other steps -- the timing  
25 of the other steps is the choice of the Commission.

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1 MR. ACKERMAN: Okay.

2 CHAIRPERSON CORY: You should sort of try to get  
3 out a flow chart for us as to what our options are.

4 EXECUTIVE OFFICER DEDRICK: All right.

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

7 The other thing I guess you should -- in the  
8 normal course of events you should coordinate with other --

9 EXECUTIVE OFFICER DEDRICK: Yes, we are in fact --

10 CHAIRPERSON CORY: -- other State and local  
11 agencies as to what happens?

12 EXECUTIVE OFFICER DEDRICK: Yes. Yes, we work  
13 very closely with the other agencies. Of course, in the  
14 environmental process, reporting process, the comments  
15 come in, and the staff and consultants are working with the  
16 agencies to be sure that our responses to their comments  
17 are satisfactory to the agencies on the substantive issues.

18 CHAIRPERSON CORY: Okay.

19 MR. TAYLOR: By scheduling the hearing for  
20 next August, are you scheduling the staff meeting to discuss--  
21 I'm unclear.

22 EXECUTIVE OFFICER DEDRICK: Well, I thought you  
23 had intended to -- well, I may have misunderstood you. You  
24 don't have to hear -- you don't have to hold a hearing on the  
25 EIR in August. If you would rather put that over, you can.

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1           But you cannot go any further in the process  
2 without holding that hearing and making that decision.

3           CHAIRPERSON CORY: We could, after we deal with  
4 the environmental question, have that hearing. It's  
5 subsequently we could make our decision and deal with the  
6 issue of the form of the lease.

7           EXECUTIVE OFFICER DEDRICK: That's correct.

8           CHAIRPERSON CORY: I'd as soon go ahead and get it  
9 done.

10           MR. ACKERMAN: But I think if that is to be done,  
11 that's a controversial enough decision to where there must  
12 be adequate notice to all interested parties who would be  
13 interested in how the bid is structured and the like so  
14 that it's clear to everyone that, you know, both the hearing  
15 and the discussion and a decision on a bid package would  
16 be made at the same time.

17           CHAIRPERSON CORY: My understanding of what the  
18 staff is saying is that they do not have to be made at the  
19 same time. You must make the environmental hearing --

20           EXECUTIVE OFFICER DEDRICK: Before you --

21           CHAIRPERSON CORY: -- before we do anything else,  
22 before we proceed any further. So, if we're going to move  
23 in a timely manner, we should, in fact, proceed with the  
24 environmental hearing at least in August. We should at  
25 least have that. Whether or not we can get to the other

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1 stuff done remains to be seen.

2 Is that --

3 MR. ACKERMAN: But if you get the other stuff,  
4 other things done, the normal notice for meetings is what?  
5 Ten days prior to the meeting? I don't think ten days is  
6 adequate to discuss something like that.

7 EXECUTIVE OFFICER DEDRICK: One other point,  
8 which I hesitate to raise, but I think I'd better. The  
9 Catalina hearing is scheduled for August 26th also.

10 CHAIRPERSON CORY: Okay. It'll be a long day.

11 MS. MORGAN: It's important for us to see the  
12 schedule laid out, too.

13 EXECUTIVE OFFICER DEDRICK: We will do that.

14 MS. MORGAN: That would have some influence, I  
15 think.

16 EXECUTIVE OFFICER DEDRICK: Okay. Thank you.

17 CHAIRPERSON CORY: Item 21 is assignments of  
18 geothermal lease of Richard Wall to Aminoil.

19 Anybody in the audience on this item?

20 Questions from the Commissioners?

21 Without objection, Item 21 is approved as  
22 presented.

23 Item 22 is off calendar.

24 Item 23 is a request for approval of a prospecting  
25 permit for gold and other valuable minerals, other than

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1 oil and gas, in Riverside County for Southern Desert  
2 Gold Corporation.

3 Anybody in the audience on this item?

4 Questions from the Commissioners?

5 Without objection, Item 23 is approved as  
6 presented.

7 Item 24, approval of a prospecting permit  
8 application for gold and minerals, excluding oil and gas,  
9 in San Bernardino County for Ron Spear.

10 Anybody in the audience on this item?

11 Questions from the Commissioners?

12 Without objection, Item 24 is approved as  
13 presented.

14 Item 25, Sutter County Department of Public  
15 Works wants an exemption from the oil and gas competitive  
16 public bidding surrounded by a small parcel of what, an  
17 acre, acre and a half, surrounded by somebody else. And  
18 they want to negotiate with them rather than do it  
19 separate.

20 MR. HIGHT: Correct, Mr. Chairman.

21 CHAIRPERSON CORY: Anybody in the audience on  
22 this item?

23 Questions from Commissioners?

24 Without objection, Item 25 is approved as  
25 presented.

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1 Item 26, assignment of State Oil and Gas Lease  
2 and Easement from Arco to Norris Oil.

3 We have Mr. Buchanan and Mr. Carr representing  
4 Norris Oil here.

5 Staff, why don't you fill us in briefly and then  
6 let us hear from the people involved.

7 EXECUTIVE OFFICER DEDRICK: This is -- we're  
8 talking about Rincon Island off of Ventura. And the  
9 picture here for your benefit -- this is one of the oldest  
10 leases the Commission has. And the production on the  
11 island is declining. Atlantic Richfield wants to assign  
12 the lease to the Norris Oil Company. And Atlantic Richfield  
13 wants to be held harmless in that transaction so that they  
14 no longer have an obligation to take care of cleanup work  
15 out there.

16 The staff estimates that to take out the wells  
17 and do the job on the island would cost between four and  
18 eight million dollars, depending on how much of a job you  
19 want to do.

20 The original lease required the lessee to return  
21 the ocean floor to its original state. If you want to go  
22 that far and take out the island, then the number would be  
23 more like \$8 million in today's dollars.

24 Staff has worked with Mr. Norris of the Norris  
25 Oil Company and Mr. Carr and has negotiated -- well, the

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1 lowest that we think is even a reasonable risk for the  
2 Commission to take would be a \$2 million bond.

3 Norris Oil says they cannot get a \$2 million  
4 bond, and I really cannot recommend that anything lower than  
5 that be accepted. I think you should recognize that the  
6 State will be at risk in this situation.

7 Arco has a \$500,000 bond. And Norris has such  
8 a bond also. The difference, of course, it's an old bond,  
9 and also Arco is a very large company. Norris is a small  
10 company.

11 If you'd like to hear from Moose Thompson or  
12 other staff members on more details, they're available.

13 CHAIRPERSON CORY: I'd like to hear from Norris.  
14 Make it good, because you're in trouble.

15 EXECUTIVE OFFICER DEDRICK: Identify yourself.

16 MR. BUCHANAN: My name is Robert Buchanan. I'm  
17 an attorney and I'm representing Norris Oil Company. My  
18 office is at 626 Wilshire Boulevard, Los Angeles. Next to  
19 me is Mr. Ned Carr, President of Norris Oil Company.

20 I think the first comment that we would like to  
21 make -- I'd like to make -- is that I think Miss Dedrick,  
22 you somewhat misadvised on one point, and that is that you  
23 stated -- I understood you to say that Norris cannot get  
24 a bond. That's not the fact. We're asking that we not be  
25 required to get a \$2 million bond.

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1 EXECUTIVE OFFICER DEDRICK: I'm sorry. In a  
2 conversation with Mr. Carr, I was informed by Mr. Carr  
3 that you could not get a \$2 million bond in the Santa  
4 Barbara channel.

5 MR. BUCHANAN: Well, I spoke with the bond people  
6 yesterday. And I wasn't aware of that. And I asked that  
7 specifically. But, in any event, our request is for  
8 approval of the assignment.

9 We feel that there are good reasons that Norris  
10 ought to be approved the assignment without requiring it  
11 to obtain and furnish a greater bonding that presently  
12 exists. Those are specifically these: the \$500,000 bond,  
13 which has to do with the removal of the island; and a  
14 \$25,000 lease performance bond. That's what Arco presently  
15 has and supplied in the past. And we are prepared to do  
16 that.

17 I wish you to know also that in accordance with  
18 the statewide rules of the DOG, Norris has and has been  
19 carrying a statewide bond with DOG of \$250,000 which has to  
20 do with the cleanups. That's for the protection of all  
21 the landowners, including the State of California.

22 And separately, and not applicable to this case,  
23 they also carry a hundred thousand dollar bond for DOG  
24 purposes for onshore leases.

25 So, they're certainly bondable and they're proven

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1 to be so.

2 They are indeed a small company compared to  
3 Arco today. But I will remind those of you who maybe  
4 aren't as old as I am -- and I think that covers most  
5 of you -- that Arco was in rather dire straits -- not Arco --  
6 but its predecessor Richfield Oil, the original lessee --  
7 shortly before this lease was let in 1955.

8 CHAIRPERSON CORY: My recollection is that  
9 Mr. Jones had more than that in cash on him when he died.

10 MR. BUCHANAN: Well, you're speaking perhaps  
11 of Mr. Jones as distinguished from Richfield Oil.

12 CHAIRPERSON CORY: My recollection is that --

13 MR. BUCHANAN: But things change and we  
14 recognize that certainly. And I don't mean to be  
15 suggesting that Richfield wasn't always a stable company.  
16 But they were in financial difficulties in the late  
17 forties and early fifties. And yet your predecessors on  
18 this Commission didn't see fit to be terribly tough with  
19 them in 1955.

20 We certainly recognize that the costs have  
21 increased. And the --

22 CHAIRPERSON CORY: The amount of bond is currently  
23 how much?

24 MR. BUCHANAN: There are two bonds, Mr. Cory,  
25 five-hundred and a quarter. There are two bonds in total.

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1 We're talking, true, in some views may not be considered  
2 too much -- the difference between the 500,000 and the  
3 25,000 bond and a \$2 million bond represents around  
4 \$20,000 a year, which may not seem too much to anybody.  
5 But if you multiply that over 30 years, it adds up to quite  
6 a bit.

7 It also -- for a company who has been on a  
8 growing trend and is relatively small compared to Arco --  
9 is a more significant expenditure than it would be for the  
10 larger company.

11 The point I think you need to keep in mind about  
12 Norris Oil is that it has operated for over a year now  
13 and once prior to that period operated one lease. But it  
14 has since, for the last year and a half, operated two  
15 State leases. And I believe your staff will back me up  
16 when I tell you that Norris has done an excellent job on  
17 both of those leases, has improved production, has cleaned  
18 it up; has, I think, increased communications with the  
19 staff so that the staff is more cognizant of operations  
20 on those two leases than your staff was prior to that time.

21 But they've done a good job, and I think what  
22 I'm suggesting to you is that they're capable of it.

23 We wouldn't have this problem, I submit to you,  
24 and we wouldn't be here today discussing it with you but  
25 for the fact one of the conditions that we have in our

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1 transaction with Arco is that they want clearly to have --  
2 no longer have any obligation to the lease.

3           Whatever those reasons -- whatever the reasons  
4 behind that request and demand are, I don't know and that's  
5 none of my business. But that is the situation. And I  
6 feel, as a lawyer, that both the law of the Public  
7 Resources Code and perhaps even this particular lease  
8 really call for an assignment without holding Arco  
9 continuing to be responsible. So, I think our --

10           CHAIRPERSON CORY: Are you suggesting that the  
11 assignment is an administrative act and must be granted?

12           MR. BUCHANAN: No. I am to this point. I think  
13 you can only withhold approval if there's a showing that  
14 the assignee is not capable of meeting the requirements  
15 of the law. I don't think that's the case here.

16           I don't want -- I see Mr. Taylor inching towards  
17 the microphone -- I don't want to take that initiative,  
18 because I'm not hanging on a legal point, Mr. Cory, like I  
19 have on other issues before this occasion on other  
20 occasions.

21           But I --

22           EXECUTIVE OFFICER DEDRICK: I don't think that  
23 should be on the record, the comment --

24           CHAIRPERSON CORY: I don't want to get into  
25 a discussion of that on the record. I've made my decision.

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1 I've got nothing more, you know. If that's your view,  
2 that's where we are. The lawyers are expensive and it  
3 ends up costing everybody money; I'm ready to read them and  
4 weep.

5 MR. BUCHANAN: Mr. Cory, I'm trying to point out  
6 to you that we recognize -- that Norris Oil Company  
7 recognizes that it is not financially equal to Arco. There's  
8 no question about that.

9 CHAIRPERSON CORY: The difficulty for getting  
10 into any further discussions at this point, giving your  
11 position, I just think -- I'd just soon not hear any more  
12 and decide whether or not we should make the assignment  
13 or not make the assignment rather than getting into any  
14 dialogue or discussion as to why. So, you can take your  
15 best shot, given your view of the law and where you think  
16 you are and what you can and can't do, rather than for us  
17 to get into a full scale discussion which might end up  
18 adversely prejudicing the State's position. Or in some  
19 attempt to try to help you, it could end up being used  
20 adversely to the State's position.

21 And I'm a little leery about, given where we  
22 are --

23 MR. BUCHANAN: You seem to take umbrage with  
24 what --

25 CHAIRPERSON CORY: No.

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1 MR. BUCHANAN: -- and I apologize.

2 CHAIRPERSON CORY: No, I don't take umbrage at  
3 all.

4 MR. BUCHANAN: I didn't mean --

5 CHAIRPERSON CORY: I'm not taking umbrage at  
6 all. I understand your position as you state it. And if  
7 that's the position, then I don't think we can discuss --  
8 if the question is solely that in your view and that's the  
9 law and our lawyer agrees with that, I don't really care  
10 what our lawyer thinks. If that's what you think, then  
11 we're going to be litigating. There's a high possibility  
12 that we're going to litigate that issue.

13 MR. BUCHANAN: Not at all.

14 We have no interest whatsoever in litigation.  
15 I want to make that absolutely clear.

16 We're here to ask your approval of the assignment  
17 and we wish for the assignment, and we'll certainly  
18 accommodate you to the extent we possibly can on whatever  
19 conditions you wish to make.

20 We ask that under the conditions and the  
21 situation that exists that you give our request  
22 consideration to not require a bond that would be  
23 financially somewhat difficult for us, but not impossible.

24 However, if you feel that you should accommodate  
25 your staff's suggestion that they should have a minimum

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1 of a \$2 million bond, and that's the wish of this  
2 Commission, then we shall accommodate that way and provide  
3 it to you.

4 CHAIRPERSON CORY: Did the staff tell me it was  
5 going to take four to eight million -- why are you asking  
6 for two million? If you're going to get protected, why  
7 not get protected for your exposure?

8 EXECUTIVE OFFICER DEDRICK: I think that --

9 CHAIRPERSON CORY: If a prior Commission made  
10 an error because they miscalculated what inflation was  
11 going to be or what have you, the issue to me from  
12 protecting the State of California viewpoint, is if you're  
13 sure those figures are right -- four to eight million --  
14 why are you only asking for two million?

15 EXECUTIVE OFFICER DEDRICK: You're perfectly  
16 right on. The staff has -- had come to that figure as an  
17 absolute minimum based on their knowledge of Norris as a  
18 good operator. It does not -- it leaves you at risk.

19 MR. TAYLOR: I think the situation you're faced  
20 with, considering the reasonableness of this assignment,  
21 is the fact that this is a very old lease; it's going to  
22 be facing abandonment at a relatively early time. And when  
23 it is abandoned, the abandonment costs are going to be  
24 rather substantial because of the uniqueness of this area.

25 The Commission has had before it several times

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1 abandonment costs and also we've had to go in and pick up  
2 the cost in Santa Barbara County and to some extent in  
3 Ventura County itself. That is the first part.

4 The second part is that what is unusual about  
5 this request is the fact our lessee, who is a responsible  
6 party, is asking for relief from that responsibility as  
7 part of the assignment.

8 And normally, an assignor is not relieved of  
9 liability. And so, those are the two aspects that are  
10 here.

11 And judging the reasonableness of the request,  
12 I think the age of the lease and the unique circumstances  
13 which will be required are the things that have to be  
14 weighed in the Commission's mind.

15 CHAIRPERSON CORY: I don't want my comments to  
16 imply that I doubt the ability of the Norris Oil Company  
17 to conduct business or their responsibility. It's the  
18 fact that we're at the tail-end of the lease, and that  
19 if anything -- it may be that a prior Commission had  
20 underestimated where we're going to be at. And I've got --

21 MR. CARR: Let me comment on that, Mr. Cory.

22 CHAIRPERSON CORY: Yes.

23 MR. CARR: We operate the lease offsetting this  
24 lease. And it's been under operation for 53 years. The  
25 present lease we're going in on now has been under operation

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1 for twenty-two years. In other words, there's no doubt in  
2 our mind that thirty more years of operation plus -- it's  
3 not -- and the lower, the deeper zones in the lease have  
4 never been drilled to produce on the offsetting leases.

5 There's probably 50 years of operational --

6 CHAIRPERSON CORY: Rincon is -- I'm just trying  
7 to recall this from my own memory. Rincon is south of  
8 Santa Barbara?

9 EXECUTIVE OFFICER DEDRICK: Ventura.

10 CHAIRPERSON CORY: Ventura County and the access  
11 is not -- it's relatively close to shore, and there's  
12 what, trestles that goes through -- is that correct?

13 MR. TROUT: That's correct. It shows in the  
14 corner of the picture there.

15 CHAIRPERSON CORY: You're currently operating --

16 MR. CARR: We're currently operating the two  
17 that I've shown there. The 410 and the 429.

18 CHAIRPERSON CORY: Okay.

19 MR. CARR: One was a Tidewater and the other one  
20 was a Richfield. We bought one from Getty, formerly  
21 Tidewater, 14 years ago, or 15 years ago, something like  
22 that.

23 And the second one we bought from Arco six years  
24 ago.

25 By the way, for your information, we increased

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1 the production by almost four times on that, on the last  
2 Richfield lease we bought.

3 MR. TROUT: Mr, Chairman, the significant  
4 difference, I think, is that on the prior two leases  
5 assigned to Norris, the original lessor remains liable.

6 CHAIRPERSON CORY: That's the bottom line in  
7 terms of -- I have a hard time figuring out what the  
8 State's getting to have Norris -- I don't mean that in a  
9 disparaging way -- in terms of the awesome power of Arco.  
10 We've got them on the hook. I'm a little more comfortable.

11 Is anybody from Arco here?

12 Would you come forward and identify yourself  
13 and start thinking about why it is you guys want off the  
14 hook?

15 MR. DRAPER: Yes. I'm Jack Draper, attorney for  
16 Atlantic Richfield.

17 I think the distinction here is the lease,  
18 perhaps unlike other leases, provides expressly for release  
19 of the assignor if the consent is given.

20 CHAIRPERSON CORY: And we're saying from our  
21 side of the table, we're not too enthused with that.

22 We're willing to allow you to make the  
23 assignment to Norris, but is there some way you and Norris  
24 can work out some sort of a sliding scale or something to  
25 help them so we've still got you on the hook and let them

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1 slowly build up out of, say the profit side of the deal,  
2 after they have it to cover the thing. Because there's  
3 nothing in it for us at this point to take a lesser  
4 credit risk for the exposure.

5 MR. DRAPER: I think there is potentially something  
6 in it, as Mr. Carr's pointed out, his track record shows  
7 that he can increase production greatly and that's going  
8 to raise the royalty due to the State.

9 However, Arco would probably continue to produce  
10 at the same level it is now and the lease might be  
11 abandoned much earlier with Arco. And the State will lose  
12 their incremented oil royalty.

13 Furthermore, I would make the point that the  
14 parties stated and Richfield bargained for that type of a  
15 lease back in 1957 allowing complete release of the  
16 assignor upon the approval of the assignment. So, the  
17 lease doesn't appear --

18 CHAIRPERSON CORY: What we're telling you -- at  
19 least this person is unprepared to vote for the assignment  
20 if you don't stay on the hook.

21 You aren't going to get my vote the way it  
22 stands. Now, if you want to make a business deal -- what  
23 I'm telling you is you got to figure out a way to cover  
24 Norris.

25 Now, I don't know whether or not --

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1 MR. DRAPER: I see your position.

2 CHAIRPERSON CORY: If you guys want to sell it  
3 to Norris, and you guys have your reasons why you want to  
4 sell it to them, benefits to you, I'm willing to do it,  
5 but not ~~the way~~ you present it.

6 MR. DRAPER: Well, isn't there -- isn't the  
7 fact of increased production of interest to the State?

8 CHAIRPERSON CORY: Not enough.

9 MR. DRAPER: More production in the deep zone --

10 CHAIRPERSON CORY: Not enough.

11 MR. DRAPER: It seems that when a resource is  
12 already there and it's essentially being abandoned too  
13 early because --

14 CHAIRPERSON CORY: You abandoned the lease,  
15 you know, we can go back in, take it over, get a rebid,  
16 do all sorts of things.

17 MR. DRAPER: Also with the cost of rebidding.

18 CHAIRPERSON CORY: You know, that's where we  
19 are.

20 MR. DRAPER: Renovating the whole thing is --

21 CHAIRPERSON CORY: If you're not willing to do  
22 it, you may not have -- be able to sell the lease.

23 MR. DRAPER: Well, that's, of course, the problem,  
24 If the factor -- the amount that the staff has said  
25 would be necessary to abandon, four to eight million

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1 dollars, that really puts a heavy burden on any kind of a  
2 deal.

3 CHAIRPERSON CORY: While you're looking at that  
4 problem, we won't let you off anyway.

5 MR. DRAPER: Well, that's right, but we would  
6 hope that you would, given that Richfield -- the original  
7 lessor -- and the State negotiated a lease which provided  
8 an assignment was possible and if the assignment was  
9 approved, that there was -- the assignor will be relieved  
10 of his obligations and duties under the lease.

11 And it seems like to approve it any other way  
12 would be renegotiating the bargaining, changing the terms  
13 of the lease. We're not asking for that.

14 CHAIRPERSON CORY: We knew the credit  
15 worthiness of Richfield and we knew the risk when we took  
16 it from the State's point of view of the contract.

17 We're willing to live with that deal. You're  
18 the guys who walk in and say you wanted a change. If you  
19 want to change, you can belly up to the bar, sweeten up the  
20 deal some way for somebody, or you can talk to the other  
21 two Commissioners and maybe get them to vote for you. But  
22 I'm not going to vote for you.

23 MR. DRAPER: We're not asking for a change. We're  
24 only asking --

25 MR. ACKERMAN: Has the Lands Commission's legal

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1 staff examined the original lease to see if the wording  
2 of it says the Commission "shall" release Arco or does it  
3 say the Commission "may"?

4 MR. HIGHT: It's at the discretion of the  
5 Commission.

6 Could I just read it to you? It's sort of brief.

7 (Reading)

8 "In the event of approval, such  
9 assignment or transfer. . ."

10 I'm reading from paragraph four.

11 ". . .the assignor shall be  
12 released and discharged from all  
13 obligations thereafter appearing  
14 under this lease with respect  
15 to the assigned or transferred  
16 lands."

17 MR. DRAPER: So the approval -- it follows by the  
18 language of the lease -- the approval --

19 MR. ACKERMAN: Yes, but my next question was if  
20 that's the language of the lease, are the Commission's  
21 hands relatively tied; that if we do decide to assign, then  
22 we have no option on whether or not to relieve Arco. So, if  
23 the Commission's decision is to assign the lease, we have  
24 no option but to release Arco from any liabilities.

25 So that would be instrumental in the decision

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1 whether or not to assign the lease,

2 CHAIRPERSON CORY: That's why I'm unprepared  
3 to assign unless Arco can come --

4 MR. DRAPER: So you're asking for a renegotiation  
5 of the lease terms in effect.

6 CHAIRPERSON CORY: No, not at all. No. We're  
7 going to live up to our side of the deal.

8 We like you, Arco. I mean, you know, you can  
9 take all your money you're saving by not extending credit  
10 and we know you're going to be there to pay the eight  
11 million.

12 We're looking forward to getting some of your  
13 dough.

14 MR. DRAPER: How does that benefit the State if  
15 Arco --

16 CHAIRPERSON CORY: Because we don't have to pay  
17 the eight million, friend.

18 MR. DRAPER: But no one has to pay it if it goes  
19 50 years longer, because --

20 CHAIRPERSON CORY: It may not, though.

21 MR. DRAPER: Well, there's a good chance --

22 CHAIRPERSON CORY: Hey, friend, that's where it  
23 is. Do you want it or don't you?

24 MR. DRAPER: I can't speak on any renegotiation.

25 CHAIRPERSON CORY: I'm willing to put this over

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1 to the next meeting to see if Arco, in dealing with their  
2 principals, can -- both varieties and both spellings --  
3 can come to some thing that would protect the State.

4 MR. ACKERMAN: From my own position, I feel to  
5 put the entire burden on Norris Oil is asking a little too  
6 much for that, and I --

7 MR. TAYLOR: Can I state one little thing for the  
8 record? I've been informed that the staff has calculated  
9 an estimated increase in production under this lease. And  
10 the increase in production would nowhere equal the exposure  
11 the State would be assuming.

12 And as the Chairman has pointed out as well,  
13 even if the lease was abandoned, another operation could  
14 be substituted -- I mean a fresh lease could be  
15 substituted. So on both counts, it would appear that what's  
16 being offered, which is continued production, doesn't  
17 equal out to the risk the State would be assuming.  
18 Essentially the State could have a different kind of  
19 facility go in there and still recover the oil from a  
20 different substantive operator under a new lease if it's  
21 abandoned.

22 MS. MORGAN: It seems to me that if you're going  
23 to have a bond that makes us nervous and there's no place  
24 to look for the funds that are needed if those wells are  
25 abandoned, then we need some greater revenues projected to

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1 give us a little more comfort, a fiscally prudent way  
2 of going about doing business.

3 CHAIRPERSON CORY: I can understand the problem  
4 that the representative from Arco has, you know, he's got  
5 to check with his folks. I don't know where you are in  
6 your timing in terms of the deal. But I'd like to put it  
7 over to the next meeting without prejudice.

8 MR. BUCHANAN: May I make one short comment?

9 CHAIRPERSON CORY: Sure.

10 MR. BUCHANAN: It seems to me that if we had been  
11 able to negotiate the arrangements with Arco such that  
12 they would have continued to be on the thing, we wouldn't  
13 have had any problem.

14 I would hope that your staff wouldn't think  
15 there was a necessity to increase the bond. That wasn't  
16 possible.

17 We did examine it, and upon the request of the  
18 staff we reexamined that with Arco. I don't know what  
19 the future may hold. We're interested in getting the  
20 transaction done.

21 One of the considerations -- and this was  
22 discussed with your staff -- was that a big part of the  
23 monies that potentially will be needed to be paid for  
24 putting it back in its original shape was removal of the  
25 island.

1 I think some of your people -- at least the ones  
2 that I spoke to -- seemed to have the same feeling I did;  
3 that is, the island itself would doubtless never be  
4 removed and used for other purposes. There's a marine  
5 biology lab on there now and I'm certain that would be  
6 continued.

7 The point being that we're talking about  
8 abandonment of oil wells. And there is, number one, a  
9 \$250,000 bond now for that purpose with the DOG. We're  
10 prepared to put up additional funds if you feel that our  
11 size is such that we must put up a total of at least  
12 \$2 million that your staff has indicated is their minimum  
13 requirement. We will do so in either a bond or a letter of  
14 credit.

15 And we would like to have your approval on that  
16 basis so we can proceed and you can, too. And we won't  
17 have to burden your meeting that's apparently already  
18 filled up.

19 CHAIRPERSON CORY: How did the staff arrive at  
20 \$2 million when the minimum cost figure is four?

21 MR. TROUT: Purely a tradeoff between the  
22 anticipated increased revenues and the risk.

23 What staff has done is basically make an  
24 analysis and say that for two million the staff would  
25 recommend that the Commission take -- the State assume that

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1 risk. For 500,000 we can't recommend it.

2 MR. ACKERMAN: It seems like the Commission  
3 really has to decide what risk it wants to accept. As  
4 Mr. Buchanan mentioned, if it's the Commission's intent  
5 to remove the island on abandonment to the sea floor,  
6 that indicated one level of cost. If the intent of the  
7 Commission is to retain the island for some other use,  
8 that obviously would be at a different level of cost.

9 And then the company would have to expect to  
10 assume a different level of risk.

11 Well, that's got to be part of our decision,  
12 would be the exposure to the State.

13 Because you're not exposing the State to risk  
14 if it's not our intent to remove the island anyway.

15 CHAIRPERSON CORY: I'm not so sure I know what the  
16 facts are to make that decision now. But the minimum cost  
17 is the four million figure?

18 MR. TROUT: We figure -- the engineers have  
19 estimated that to remove -- to abandon the wells and  
20 remove the production facilities -- in effect, skin off  
21 the island and leave it with a concrete slab and well  
22 cellars sealed off, it would run \$2.8 million. There is  
23 another \$300,000 roughly to bring the trestle up -- to make  
24 all the repairs that might be necessary to bring the trestle  
25 up to standard.

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1           So, we think that if the island were to remain,  
2 the trestle were to remain, and all the other facilities  
3 were removed, Don's staff and Bruce's staff come up with  
4 roughly a \$3 million number.

5           Given a rough estimate of doubling the value --  
6 doubling the production from the lease -- the State's take  
7 is roughly 50,000 a month, it would go to roughly a hundred  
8 thousand a month. That a \$2 million bond is a reasonable  
9 compromise and reasonable risk. That's the decision  
10 that's before you guys.

11           CHAIRPERSON CORY: I want to point out also  
12 that's in today's dollars.

13           MR. ACKERMAN: Another question I'll raise  
14 incidental to that is the boilerplate language we've seen  
15 in other assignments has been -- included the language the  
16 required bond is secured and all of that.

17           I'm just wondering in other cases has the State  
18 assumed a margin of risk in all other assignments because  
19 of old negotiated bonding levels?

20           And I'd hate to wonder what our entire exposed  
21 risk might be. I know the State's not banking the money  
22 for future use, that's for sure.

23           (Laughter.)

24           MR. TROUT: The Commission may remember the  
25 assignment in Long Beach from Arco to Petro Louis; I believe

1 it was a partnership property, in which the same issue  
2 rose.

3 I think Moose could tell you what the results  
4 were, but at that time the same situation arose and at that  
5 time the Commission did not wish to allow Arco off the hook  
6 for liability. And that was solved in a successful manner.

7 MR. ACKERMAN: What that's looking at is looking  
8 at Arco's corporate resources that go beyond this  
9 specific project.

10 MR. TROUT: Absolutely.

11 MR. ACKERMAN: And if we're looking at five or  
12 six leases that Arco may hold or more than that, then  
13 their exposure is multiplied five or six times.

14 And you wonder whether that's a good policy  
15 as well to get them to look for the other corporate  
16 resources of a company and size to determine the bonding  
17 level to where that may not be a realistic assumption  
18 either.

19 MR. BUCHANAN: May I make a further suggestion?

20 I don't know how you feel right now about  
21 bonding levels. But assuming that you would adopt the  
22 recommendation of the staff, I would have -- I would  
23 suggest that -- I would ask that you consider an action  
24 today which would approve the assignment subject to either,  
25 one, Arco's continuing on the obligation, which may be

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1 possible to get. I don't know. I don't think so, but  
2 I'd like to have that opportunity to take a crack at it.

3 Second, if that's not available, that the assignee,  
4 Norris, provide you with letters of credit or a bond  
5 in accordance with the staff's recommendation.

6 MR. ACKERMAN: You mean of \$2 million?

7 MR. BUCHANAN: Yes.

8 MS. MORGAN: You keep mentioning a letter of  
9 credit. I'm not comfortable with that.

10 CHAIRPERSON CORY: As long as it's an acceptable  
11 letter of credit --

12 MR. BUCHANAN: I mentioned that simply because  
13 your staff had indicated to me in the past that they kind  
14 of like the letter of credit because -- and I think most  
15 lawyers agree -- they're more easily collectible than a  
16 bond.

17 MS. MORGAN: Is that true?

18 MR. HIGHT: Yes.

19 CHAIRPERSON CORY: Banks usually pay off on a  
20 letter of credit without a hassle. You don't have to  
21 litigate. It cuts down --

22 MR. TAYLOR: The bonding company usually doesn't  
23 pay; the courthouse does.

24 CHAIRPERSON CORY: As long as, you know, it's not  
25 issued by Franklin Bank, but if he did cover it with an

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1 acceptable letter of credit, so --

2 I've got no problem with that. I'm willing to  
3 leave it in midstream and for another month.

4 MR. BUCHANAN: I appreciate that, Mr. Cory, but  
5 I think that we could move a little faster and relieve you  
6 of further consideration.

7 MR. ACKERMAN: A case of either/or action?

8 CHAIRPERSON CORY: I would think so.

9 MR. TROUT: The action before you -- the  
10 recommendation before you is on page 163(a), a green sheet,  
11 says that the Commission would approve the State oil and  
12 gas assignment or State oil and gas lease 1466 and  
13 easement 1961, which is the trestle, by the lessee  
14 Atlantic Richfield to Norris subject to Norris obtaining  
15 and maintaining in effect a \$2 million performance bond  
16 or letter of credit, or other equivalent insurance.

17 CHAIRPERSON CORY: In the alternative, Arco  
18 remaining on, so they can try to negotiate that option.

19 MR. ACKERMAN: Shouldn't that really be the  
20 first option?

21 CHAIRPERSON CORY: The order I think is  
22 immaterial.

23 I'm prepared to vote for that one. Okay?

24 Without objection --

25 MS. MORGAN: That's fine.

CHAIRPERSON CORY: -- that will be the order.

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1 MR. BUCHANAN: Thank you, sir.

2 CHAIRPERSON CORY: Thank you.

3 Okay.

4 MR. ACKERMAN: Let me just make one other  
5 comment.

6 If the year life on this well -- productive life  
7 is 50 years, 50 years from now a \$2 million bond would  
8 probably provide funds for one cement truck to run out on  
9 the island.

10 We'd be right back in the same position.

11 CHAIRPERSON CORY: You're telling me that Reagan's  
12 not going to pull off his thing?

13 MR. ACKERMAN: Oh, he is.

14 (Laughter.)

15 MR. ACKERMAN: But, you know, looking at the --  
16 maybe the staff could look at the whole policy of bonding  
17 the State, assuming liability, because obviously the  
18 Commission in most of the fifties, 1955, didn't build in any  
19 escalation factor or any estimate of what it would cost  
20 when the lease -- when the well was actually abandoned.

21 Maybe they did. I really don't know.

22 EXECUTIVE OFFICER DEDRICK: I can't answer your  
23 question, but we certainly will find the answer to it.

24 CHAIRPERSON CORY: Well, as a general policy  
25 matter, I don't know whether or not it should somehow be

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1 for future leases you should start in some new -- whether  
2 or not exposure should be tied in say to oil prices or  
3 something else that might move.

4 MS. MORGAN: You're assuming that the companies  
5 are around long enough to have a successful operation;  
6 that there is some assurance --

7 CHAIRPERSON CORY: Like Chrysler.

8 (Laughter.)

9 MS. MORGAN: Do we have a bond for Chrysler?

10 MR. TAYLOR: It should be pointed out that the  
11 \$2 million in no way discharges their responsibility  
12 or obligation to terminate the lease in an appropriate  
13 manner. And if it takes everything the company's got  
14 to do that, the State is going to stand -- it's going to  
15 take the position that that would be required, a complete  
16 liquidation of the company.

17 CHAIRPERSON CORY: The way they played softball,  
18 I can understand how you'd go about that,

19 (Laughter.)

20 MS. MORGAN: Only short, general leases --

21 CHAIRPERSON CORY: You can't do that --

22 MS. MORGAN: You can't put the deal together.

23 CHAIRPERSON CORY: If Finance would let us spend  
24 the money, we could go ahead and do that, if we pay the  
25 capitalized costs that the private entrepreneur wouldn't, we

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1 could do it on the State side and have them as operators,  
2 it would work. They'd have to come up with enough dough.  
3 What can I say?

4 MS. MORGAN: I'm going to find some next week.

5 (Laughter.)

6 CHAIRPERSON CORY: I think this is something  
7 that staff should look at.

8 EXECUTIVE OFFICER DEDRICK: Very well.

9 CHAIRPERSON CORY: Contingent liability of the  
10 State for un- -- you know -- exposure, might be  
11 significant.

12 ~~Okay.~~ Any other questions?

13 Item 27, Chevron USA wishes a deferment of  
14 drilling requirements on FRC 3095 so they can do a  
15 complete drilling plan; is that correct, Don?

16 MR. EVERITTS: The drilling and/or workover  
17 plan.

18 CHAIRPERSON CORY: Okay. They want to do a  
19 complete plan rather than punch the individual holes in.

20 Questions from the Commissioners?

21 Question from anybody in the audience?

22 Without objection, Item 27 is approved as  
23 presented.

24 Item 28: This is a request to award a negotiated  
25 oil and gas lease on Jo Island. They have some

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1 surrounding production, is that the case?

2 EXECUTIVE OFFICER DEDRICK: Yes.

3 CHAIRPERSON CORY: And it's, what, a one-third  
4 royalty?

5 EXECUTIVE OFFICER DEDRICK: Yes.

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

8 Questions from the Commissioners?

9 Without objection, Item 28 is approved as  
10 presented.

11 Item 29, approval of a proposed sale of  
12 crude oil, Tract 2, Long Beach.

13 Any changes staff wants to put in here? This is  
14 to go ahead with the sale?

15 EXECUTIVE OFFICER DEDRICK: There's a discussion  
16 on the minimum bid. I think what we'd like is authorization  
17 to determine what a practical and reasonable minimum for  
18 the goals of the Commission would be.

19 CHAIRPERSON CORY: This parcel is currently  
20 ten cents?

21 EXECUTIVE OFFICER DEDRICK: Yes, ten.

22 CHAIRPERSON CORY: I would think that if we didn't  
23 get the existing one, we'd leave it with the, you know,  
24 who's got it,

25 So, I'd go along with the ten cents minimum, just

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1 so people will know, don't waste your time.

2 MR. ACKERMAN: Should it be higher than ten?

3 Or is that -- We've never put minimums on the bids before.

4 EXECUTIVE OFFICER DEDRICK: There are pretty  
5 flaky bids sometimes below the -- negative bids. This  
6 would cut down the workload a little bit.

7 MS. MORGAN: So there's no point in considering  
8 bids that are below ten.

9 EXECUTIVE OFFICER DEDRICK: That's true. That's  
10 the general notion.

11 MS. MORGAN: Are you thinking about setting it  
12 higher? The minimum?

13 EXECUTIVE OFFICER DEDRICK: Not really. I think  
14 they're --

15 CHAIRPERSON CORY: Why don't you try this one  
16 at ten and with the next one, we'll see what happens, how  
17 that affects their bidding.

18 EXECUTIVE OFFICER DEDRICK: Okay.

19 CHAIRPERSON CORY: Anybody in the audience on  
20 this item?

21 Without objection, Item 28 is approved with a  
22 ten cents minimum.

23 Item -- Item 29, pardon me. I misspoke myself.  
24 Item 29 was approved with a ten cent minimum.

25 30 is off calendar.

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1           Item 31 is a proposed revision of the  
2 compromise title settlement between Usonia, Inc, and  
3 the State.

4           Anybody in the audience on this item?

5           Questions from Commissioners?

6           Without objection, Item 31 is approved as  
7 presented.

8           Any other items to come before us?

9           We stand adjourned,

10          (Thereupon the meeting was adjourned  
11 at 11:45 a.m.)

12                           --o0o--

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CERTIFICATE OF SHORTHAND REPORTER

1  
2  
3 I, Nadine J. Parks, a shorthand reporter of the  
4 State of California, do hereby certify:

5 That I am a disinterested person herein; that  
6 the foregoing regular meeting of the State Lands  
7 Commission was reported in shorthand by me, Nadine J. Parks,  
8 and thereafter transcribed into typewriting.

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

12 IN WITNESS WHEREOF, I have hereunto set my  
13 hand this 3rd day of August, 1982.

14  
15  
16 Nadine J. Parks  
17 Nadine J. Parks  
18 Shorthand Reporter  
19  
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