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MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 444
SACRAMENTO, CALIFORNIA

THURSDAY, MAY 24, 1984
10:55 A.M.

ORIGINAL

Nadine J. Parks
Shorthand Reporter

MEMBERS PRESENT

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LEO T. McCARTHY, Lieutenant Governor, Commissioner
and Acting Chairman

NANCY ORDWAY, For Jesse R. Huff, Director of Finance,
Commissioner

JOHN JERVIS, for Kenneth Cory, State Controller,
Chairman

STAFF PRESENT

Claire T. Dedrick, Executive Officer

Robert C. Hight, Counsel

Greg Taylor, Counsel

James Trout, Counsel

Lance Kiley

Robert Faber

Lorna Buck

Judy Markell

Dwight Sanders

in

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PROCEEDINGS

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ACTING CHAIRMAN MC CARTHY: Ladies and gentlemen, first of all, I want to apologize to you for the delay. I regret the inconvenience to those of you who have been patiently waiting for us to start.

I wanted to mention that anyone here on Item 21 should know that that has been taken off calendar, Item 21.

I'd like to first ask for approval of the minutes of the last Commission meeting. Are there any comments by my two fellow Commissioners? Anybody in the audience have any comment on the minutes? If not, they stand approved.

I'd like to ask for the reporter of the Chief Executive Officer.

EXECUTIVE OFFICER DEDRICK: Yes, Governor. Is this mike on?

(Thereupon the microphone was turned on.)

EXECUTIVE OFFICER DEDRICK: Okay. We have been meeting with the Bureau of Land Management in regard to future exchanges in indemnity selections. We have reached an agreement to exchange approximately 52,000 acres of unsurveyed indemnity lands and we hope to have that project completed by the 30th of September.

We are also working on a transaction that would

1 exchange out of approximately 50,000 acres of State lands
2 which are within wilderness study areas and other areas
3 where management by the State is impossible. We hope to
4 have that process going in time for the Federal fiscal year
5 beginning October 1st of '84.

6 ~~ACTING~~ CHAIRMAN MC CARTHY: Any questions? Any
7 questions by either Commissioner?

8 All right. Thank you very much for that report.

9 Now, Items 1 through 9 are consent calendar items.
10 Any comment in the audience on any of those? If not, we're
11 prepared to approve them. All right. Items 1 through 9
12 are approved.

13 We are going to take up Calendar Item 10. Would
14 you make the presentation?

15 EXECUTIVE OFFICER DEDRICK: Yes. Bob Faber will
16 make the presentation for the staff, Governor.

17 MR. FABER: Commissioners, Calendar Item 10
18 concerns geophysical survey study programs. It is separate
19 from Calendar Item 11, which covers the issuance of the
20 geophysical permit. And so, we'll get into the details of
21 that a little bit later.

22 Just to give you some background on geophysical
23 activity to give you a context in which these studies take
24 place, geophysical research provides data necessary to locate
25 deposits of oil and gas as well as underground hazards.

1 The results of this research are used to provide
2 greater safety to personnel and reduce adverse environmental
3 impact associated with offshore oil development.

4 However, new questions have been raised on whether
5 or not there are short or long-term effects from geophysical
6 research itself. Currently, additional information is
7 requested by various groups on the possible effects of the
8 acoustic pulse energy on fish and sea mammals.

9 This calendar item provides a mechanism for
10 prioritizing future research in that area and locating
11 funding.

12 Regarding the fishing, there are three areas being
13 discussed. The first is the question of fish dispersal.
14 And staff is proposing continued participation in the Fish
15 Dispersal Steering Committee. That is a committee that is
16 made up of geophysical operators, fishermen, MMS, Fish and
17 Game, State Lands Commission, and the National Marine
18 Fishery Service.

19 In a hearing that those people conducted jointly
20 in the first part of March, they evaluated -- some scientists
21 which they had available to take testimony -- evaluated
22 the testimony that was given and decided to suggest an
23 initial field study to verify the reports of fish dispersal
24 and also to determine the feasibility of future scientific
25 study.

1 My understanding is that field study is planned
2 for this summer. It would be based on the equipment being
3 provided by the geophysical companies, specifically a boat,
4 and fishing boats being provided by the fishing community.

5 If they cannot make all of their schedules mesh
6 during the summer, they're probably shooting for October as
7 a second time for conducting that feasibility --

8 The second issue is the effect of this research
9 on juvenile fish. Staff is recommending that study plan
10 be developed in close cooperation with the Department of
11 Fish and Game, the academic community, and the fishing
12 community. And then the funding can be obtained from
13 whatever appropriate sources are available.

14 Staff has already received comments of support
15 and assistance from environmental groups, fishermen, and
16 Fish & Game in seeking this funding.

17 EXECUTIVE OFFICER DEDRICK: I can add to that.
18 The National Marine Fishery Service has expressed an
19 interest.

20 MR. FABER: Okay. The third issue is an update
21 in organization of the Department of Fish and Game's catch
22 records. As you know, they keep these records. And we
23 believe it would be useful in analyzing that data to
24 determine peak fishing areas and seasons. The information
25 could be used by the geophysical operators to plan future

1 surveys.

2 An additional correlation might be made between
3 fish harvesting and geophysical research itself. And staff
4 is proposing the development of a memorandum of understanding
5 with the Department of Fish and Game to outline who has
6 more responsibilities under such a program.

7 Then, with regard to marine mammals, the
8 Commission staff have participated in having several
9 studies modified in the last couple of years that would
10 evaluate the effects of the geophysical research on marine
11 mammals. And they would -- we would suggest a followup on
12 some of these studies working with the National Marine
13 Fishery Service; as Dr. Dedrick mentioned, the National
14 Marine Fishery Service may have some funding to assist in
15 that particular aspect.

16 We would also suggest that we involve a number of
17 public interest groups which could provide valuable input
18 into the design and evaluation of these studies. And,
19 again, we have gotten support from several groups to obtain
20 or search for this type of funding as well.

21 So, in summary, the action requested here is an
22 endorsement of continuing the research, to authorize staff
23 to seek funding, and to proceed with the project when
24 funding is obtained, and to enter into a memorandum of
25 understanding with the Department of Fish and Game.

1 We would also propose an additional recommendation,
2 which is not listed, which would -- would be that we report
3 back to you within six months to give you a status report
4 on the funding and design of the studies.

5 ACTING CHAIRMAN MC CARTHY: Thank you very much.
6 Thank you.

7 Does our Chief Exec. have anything further to
8 say on this --

9 EXECUTIVE OFFICER DEDRICK: No. You have a lot
10 of people who want to testify.

11 ACTING CHAIRMAN MC CARTHY: All right. Fine.
12 As soon as I'm handed the slips, we'll start.

13 Mr. Greg Kirkpatrick, representing the
14 commercial fishermen? Is Mr. Kirkpatrick here?

15 (There was no response.)

16 Miss Susan LeFever? Representing Greenpeace.

17 ACTING CHAIRMAN MC CARTHY: Hi.

18 MS. LE FEVER: Hi.

19 ACTING CHAIRMAN MC CARTHY: You want to identify
20 yourself for the record, please?

21 MR. HANSCOM: Certainly. My name is Eric Hanscom.
22 I'm here from the Whale Center.

23 ACTING CHAIRMAN MC CARTHY: Why don't you proceed
24 with your testimony.

25 MS. LE FEVER: Okay. I'm here today representing

1 Greenpeace, Friends of the Sea Otter, the Oceanic Society,
2 Friends of the Earth, the Marine Mammal Fund, and the
3 Environmental Coalition on OCS

4 (Thereupon the microphone was adjusted
5 for Ms. LeFever.)

6 MS. LE FEVER: Okay. We continue to feel that
7 it would be important to have a full environmental impact ---

8 ACTING CHAIRMAN MC CARTHY: Is your microphone
9 working?

10 MR. TROUT: You have to get up very close.

11 MS. LE FEVER: We continue to feel that there
12 should be a full environmental impact report done on the
13 seismic testing issue because of the large number of
14 questions that are unanswered and the difficulty to have
15 mitigations for environmental problems without sufficient
16 information.

17 But we definitely support the staff's
18 recommendation that the studies are needed to better
19 determine the impacts and would like to participate in the
20 formulation of those studies.

21 Let's see. Some of the points I wanted to bring
22 out are we -- at this point we oppose extending the permits
23 for three years. We prefer to see them extended for 18
24 months at this stage while we're still gathering this
25 information.

1 We'd like to see a six-month review period built
2 in periodically that -- in terms of how the studies are
3 going.

4 We would like -- we question the likelihood that
5 the Legislature will approve additional funds for the
6 studies and we hope that the funds can be -- or much of the
7 funding can be provided by the industry. And we agreed
8 with the staff recommendation that a series of meetings be
9 held between public-interest groups and the oil and
10 geophysical industry and hope to participate in them.

11 Some of the specific items we wanted to mention
12 here -- on the calendar, page 43.5 and 43.13 we wanted to
13 add a mention of the sea otters, that the geophysical
14 equipment not be started within a half a mile of the sea
15 otters --

16 EXECUTIVE OFFICER DEDRICK: Excuse me. For the
17 Commissioners, those pages are Item 11.

18 MS. LE FEVER: Oh, I'm sorry. Okay.

19 ACTING CHAIRMAN MC CARTHY: I think we should
20 allow some latitude so that we don't have a revolving door
21 here -- thank you, Claire -- of addressing both, if you
22 have a point to make on 11. And we'll ask all witnesses
23 on these issues to address both of them.

24 MS. LE FEVER: Okay. On Calendar 43.14, where
25 the State is -- where it says, "The State may require the

1 Permitee to furnish food, quarters, and marine
2 transportation, if necessary, for a State representative,"
3 we'd like to -- let's see -- add, "until further studies
4 of the impact of seismic exploration on sea otters have
5 been completed, all geophysical boats operating within the
6 sea otter range shall carry a scientifically qualified
7 State representative experienced in monitoring sea otter
8 behavior."

9 We'd also like clarification that the State
10 representative could be a Federal employee; for example,
11 from the U.S. Fish and Wildlife Service.

12 And we have several different field addresses
13 to add to the list of people that would like to be notified
14 of the seismic activities.

15 ACTING CHAIRMAN MC CARTHY: All right. Do you
16 have any --

17 MR. HANSCOM: Oh, no, thank you. I think that I'd
18 just like to say that the Whale Center supports the
19 position that's just been advocated. And I think that our
20 views and concerns have already been well-represented.

21 ACTING CHAIRMAN MC CARTHY: All right. Any
22 questions by either of the Commissioners?

23 Thank you very much. Pardon me. Do you have
24 anything you'd like to add? Use the microphone, please.

25 MR. KIRKPATRICK: Yes. My name is Greg Kirkpatrick.

1 I'm a crab fisherman from Santa Barbara. And I'm represent-
2 ing the Fishers Protection Institute and the Environmental
3 Defense Center.

4 We feel that the public controversy and
5 disagreement within the scientific community over several
6 of the points in the negative declaration warrants the
7 preparation of a full EIR.

8 Section 10 -- 15064, subheading (h) 1 and 2 of
9 CEQA states that an impact shall be considered significant
10 if public controversy and scientific controversy exists
11 and no substantial evidence is available on those impacts.

12 The fishermen's concerns are regarding fish
13 dispersal and certainly constitute public controversy.
14 And the questions are raised by scientists about planktonic
15 larva also fall under the subheading. And, therefore, these
16 impacts should be considered significant and considered
17 under an EIR.

18 We also feel -- are skeptical about the negative
19 declaration's statement that future lease sales may -- will
20 probably not occur and seismic activity -- seismic survey
21 activity will not be of this magnitude ever again.

22 We feel that the negative declaration should
23 include a provision that would limit the number and
24 frequency of boats operating in an area at one time, thus
25 providing the fishermen with a window to work in within.

1 And that there should be probably a more
2 substantial -- how should I say? -- regulation that would --
3 well, we'll pass on that.

4 Also, in regard to the future studies, we feel
5 that there should be a periodic review of -- of the progress
6 that the studies are taking. These -- this should probably
7 occur every six months or so to ensure that the future
8 studies are being conducted honestly and efficiently as
9 possible. Thank you.

10 ACTING CHAIRMAN MC CARTHY: Thank you. Thank all
11 of you for your testimony.

12 I'm now going to ask Mr. Craig Fusaro to come up,
13 who's identified as the liaison officer for the Joint Liaison
14 Committee, who asked to speak in between those who might
15 favor extension of the permit as it's proposed and those
16 who might oppose it. Mr. Fusaro, have I stated your position
17 correctly?

18 MR. FUSARO: Precisely.

19 ACTING CHAIRMAN MC CARTHY: All right.

20 MR. FUSARO: Thank you. For the record, my
21 name is Craig Fusaro. And I've been working since October
22 at the liaison office in Santa Barbara.

23 ACTING CHAIRMAN MC CARTHY: Bring that microphone
24 a little bit closer so the folks in the audience can hear.

25 EXECUTIVE OFFICER DEDRICK: You have to really

1 lean into it, Craig.

2 MR. FUSARO: Okay. Is this better? Okay.

3 The Joint Committee, which is composed of five
4 commercial fishing industry representatives and five oil
5 industry and geophysical industry representatives, has asked
6 me to come and read a statement which has been negotiated
7 by the Joint Committee to you. So, I'll do so.

8 In April of last year, representatives of oil
9 companies and commercial fishermen met in Santa Barbara
10 to discuss a negotiated agenda covering several basic
11 issues. Also attending the meeting were representatives
12 of this Commission, the Department of Fish and Game, the
13 Coastal Commission, and also the Minerals Management
14 Service. At the meeting the two industries decided to
15 form a committee to discuss the issues further.

16 The first issue addressed by the committee was the
17 question of whether to establish a liaison office or
18 clearinghouse that might improve interindustry relations
19 and deal with many of the daily conflicts that occur out
20 on the sea.

21 The committee met monthly and in August of '83
22 signed an agreement which establishes the structure and
23 functions of the Liaison Office.

24 And your staff currently has a copy of the
25 agreement, but I will resubmit a copy of that now for the

1 record, along with a copy of this statement for the record,
2 as well.

3 In September of last year, the Joint Committee,
4 as it's now called, interviewed candidates to operate the
5 Liaison Office, and I began work in October, eight months
6 ago.

7 In the search for funding of the Liaison Office,
8 the Joint Committee successfully negotiated an arrangement
9 with the California Coastal Operators Group, or CCOG, as
10 it's called, a public information office for twelve oil
11 companies with leasehold interests in the south and central
12 coast.

13 All policy decisions and other management
14 activities for the Liaison Office are done by the Joint
15 Committee, which operates on a unanimous consensus basis.

16 The Joint Committee holds the contract services
17 agreement for the Liaison Office, while CCOG acts as fiscal
18 agent of the Joint Committee, and also provides office
19 space and shared secretarial services.

20 To briefly summarize the Joint Committee's Liaison
21 Office Agreement, the office serves five basic functions.
22 One, it acts as an industry clearinghouse for information on
23 ongoing research studies, proposed oil and gas projects, and
24 commercial fisheries activities on the south and central
25 coast.

1 Two, the Liaison Office has been charged with
2 gathering information about fisheries, including identifica-
3 tion of seasons and areas for key resources.

4 Three, the Liaison Office serves to facilitate
5 communications between the two industries by the following
6 ways: First, contacting identified fishermen about specific
7 offshore oil and gas projects that might affect them;
8 second, providing contacts for short-term notification to
9 fishermen who can be identified as potentially affected by
10 short-term changes in operations schedules and, third, by
11 setting up meetings, if required, on proposed oil projects
12 or other interindustry issues.

13 Fourth, the Liaison Office can assist in the
14 proper filing of claims; for instance, to the Federal
15 Fishermen's Contingency Fund.

16 And fifth and last, the office keeps records on
17 issues discussed between the two industries, keeps records
18 on at-sea conflicts, claims filed, and their resolutions,
19 if any.

20 A summary of activities and communications
21 handled through the Liaison Office from October of '83
22 through February of this year makes it clear that the office
23 spends much of its time -- roughly one-half to one-third (sic)
24 of its time -- handling communications which deal with
25 geophysical surveys and fixed fishing gear in nearshore

1 waters of the south/central coast, roughly from Morro Bay
2 to Point Hueneme

3 Therefore, it is appropriate that I'm here today to
4 let you know what I do.

5 The remaining half to two-thirds of my time is
6 spent dealing with passing information between industries
7 regarding upcoming plans of exploration, plans of
8 development, and commercial fishing seasons, locations, and
9 levels of activity. To some extent, the Liaison Office also
10 spends time answering questions from the staffs of various
11 governmental agencies as well, such as this Commission.

12 Since October the office has received forty
13 notifications of seismic surveys and has acted on at least
14 thirty-five of those, the remainder being in areas not
15 presently covered by the activities of the office.

16 Upon receipt of the survey notice, I call the
17 permittee's representative to ask two questions. First,
18 which areas within the bounds of the notification map are
19 particularly critical to the survey and are actually going
20 to be worked within and, second, what is the best estimate
21 of the dates during which the survey will actually take
22 place.

23 With this supplemental information in hand, I can
24 then provide the permittee's representative a list of
25 commercial fishermen to contact regarding potential time-

1 sharing or space-sharing in the area in question.

2 This process has been developed over the last
3 eight months as optimal for ensuring a minimum of conflict
4 and/or gear interactions during the survey period.

5 The Liaison Office has distributed suggested
6 guidelines for use of the office to all of the current
7 California geophysical survey permit holders, as well as
8 all of the oil companies with current or projected leasehold
9 interests in the Santa Barbara Channel and/or the Santa
10 Maria Basin areas.

11 Similarly, the office has distributed information
12 about available services to commercial fishermen from
13 Morro Bay to the Channel Islands Harbor. Together with the
14 Sea Grant Marine Advisor for this region, the Liaison
15 Office recently took part in an informational workshop for
16 fishermen in the Ventura Harbor to provide commercial
17 fishermen there an opportunity to learn more about their
18 options in interacting with geophysical survey operations.

19 The Liaison Office has also been involved in
20 acting in an advisory role, along with the Sea Grant Marine
21 Advisor and The Mediation Institute, in a subcommittee of
22 the Joint Committee which is currently negotiating design of
23 a study to determine the feasibility of research on the
24 effects of seismic acoustic signals on the dispersal of
25 commercially valuable fish species.

1 As executor of the directives of the Joint
2 Committee, and also in futhering negotiations on other
3 issues that are confronting the committee, the Liaison
4 Office has spent the last month actively gathering informa-
5 tion from commercial fishermen and oil industry service
6 vessel companies in preparing and refining the Santa
7 Barbara Channel Oil Service Vessel Traffic Lane Program.

8 Due to the large number of crew boats and
9 supply boats, tugs, and barges plying channel waters,
10 commercial fishermen have been experiencing gear losses.
11 The development of vessel traffic lanes may help to curb
12 some of the gear losses currently being experienced by
13 channel commercial fishermen.

14 These are the types of activities which occupy
15 most of the time of the Liaison Office. Concurrently,
16 negotiations continue on remaining interindustry issues.

17 There has been considerable confusion from the
18 start of the Liaison Office between the roles and functions
19 of the Liaison Officer and the continuing deliberations of
20 the Joint Committee on other issues.

21 Once the office was established, the Joint
22 Committee has continued to meet regularly. At each meeting,
23 some time is spent on Liaison Office administrative and
24 policy issues. But the majority of the time is devoted to
25 discussion of additional space-use conflicts.

1 The Liaison Officer participates in those meetings
2 as part of his function to help facilitate interindustry
3 communication and as an advisor on biological issues.
4 However, the actual negotiations are mediated by staff
5 members of the Mediation Institute from Los Angeles.

6 ACTING CHAIRMAN MC CARTHY: May I make a
7 suggestion?

8 MR. FUSARO: Yes.

9 ACTING CHAIRMAN MC CARTHY: You've laid a pretty
10 good foundation. I think the Joint Liaison Committee has
11 credibility. And I'd ask one question. Who funds your
12 operation? And I think we'd ask you to address Items 10 and
13 11 on the file more specifically. Okay?

14 MR. FUSARO: Okay.

15 ACTING CHAIRMAN MC CARTHY: I'm satisfied. And
16 I think the other Commissioners are. I think there's clear
17 legitimacy to your operation.

18 MR. FUSARO: Okay.

19 ACTING CHAIRMAN MC CARTHY: So, tell us first,
20 who funds your operation?

21 MR. FUSARO: Picking up in this statement here,
22 I was perhaps too monotone for you to pick up, right here --

23 (Laughter.)

24 ACTING CHAIRMAN MC CARTHY: Put me on the defensive
25 right away.

1 (Laughter.)

2 MR. FUSARO: Well, in fact, it is --

3 ACTING CHAIRMAN MC CARTHY: I was picking up a
4 piece of paper under the table.

5 (Laughter.)

6 MR. FUSARO: The California Coastal Operators
7 Group is picking up the tab for the Liaison Office contract.
8 It's administered through the Joint Committee.

9 ACTING CHAIRMAN MC CARTHY: What is the California
10 Coastal Operators?

11 MR. FUSARO: They are a public information office
12 of twelve oil companies that have leasehold interests in the
13 central coast.

14 ACTING CHAIRMAN MC CARTHY: Okay. So you're not
15 jointly funded by the commercial fishing interests and the
16 oil interests.

17 MR. FUSARO: No. That is something that --

18 ACTING CHAIRMAN MC CARTHY: You're funded by the
19 oil companies.

20 MR. FUSARO: That is something to be wished, but
21 at this point -- the initial year, in fact, this is
22 experimental in essence. The initial year is a one-year
23 contract and the Liaison Office is the -- basically, the
24 bill was picked up by California Operators group.

25 EXECUTIVE OFFICER DEDRICK: If it's not

1 inappropriate, could you tell us what your annual budget is?

2 MR. FUSARO: The annual budget is fifty-some
3 thousand dollars.

4 EXECUTIVE OFFICER DEDRICK: Thank you.

5 ACTING CHAIRMAN MC CARTHY: So you have you and
6 a secretary there --

7 MR. FUSARO: Yes.

8 ACTING CHAIRMAN MC CARTHY: -- in the office?

9 MR. FUSARO: Office and the whole --

10 ACTING CHAIRMAN MC CARTHY: And boiled down, what
11 you try to do is exchange information back and forth to
12 reduce the amount of friction between the commercial fishing
13 industry and oil exploration and the activities attendant
14 thereto?

15 MR. FUSARO: Very succinctly put.

16 ACTING CHAIRMAN MC CARTHY: And the oil companies
17 probably very soundly reasoned that we ought to do this
18 because it's economically sensible and emotionally less
19 draining to try to have this kind of liaison.

20 MR. FUSARO: I can't speak to the logic behind the
21 oil companies proposing to fund it, but --

22 ACTING CHAIRMAN MC CARTHY: Assume they had all
23 those good thoughts.

24 MR. FUSARO: Okay. That sounds fine.

25 ACTING CHAIRMAN MC CARTHY: All right. So, do you

1 find the commercial fishing interests, knowing that you're
2 funded by the oil companies, are inclined to be impressed
3 by your services?

4 MR. FUSARO: The first question I get when I go
5 to a new port is, "Who pays your bill?"

6 I answer the question and we go on from there.
7 And I have had no negative responses from any of the people.

8 ACTING CHAIRMAN MC CARTHY: All right. Now, why
9 don't you address -- while attaching a good deal of value
10 to your services, I won't quite place you exactly in the
11 middle of the parties on 10 and 11.

12 MR. FUSARO: That's certainly your prerogative.

13 ACTING CHAIRMAN MC CARTHY: Why don't you address
14 10 and 11 and tell us what your thoughts on them are.

15 MR. FUSARO: Item 10 being the request for
16 funding.

17 ACTING CHAIRMAN MC CARTHY: Yes.

18 MR. FUSARO: For studies. And that is commendable
19 on the part of the Commission and I wholeheartedly support
20 the search for funding and continuing to look for ways to
21 do these studies and get the information that we need in
22 hand, to answer the questions that have been raised.

23 ACTING CHAIRMAN MC CARTHY: All right. Thank you.
24 Do you have any other comments on either 10 or 11?

25 MR. FUSARO: No, I don't.

1 ACTING CHAIRMAN MC CARTHY: Do you have any
2 background in commercial fishing yourself?

3 MR. FUSARO: No. My own background -- I think the
4 reason that I was selected out of the candidates that were
5 interviewed was that I have some knowledge of both of the
6 industries. I'm a marine biologist by training. I put
7 myself through graduate school at UCSB by diving --

8 ACTING CHAIRMAN MC CARTHY: Right.

9 MR. FUSARO: -- collecting animals, plants, and
10 so forth. I've had enough background in the channel biota
11 to satisfy the fishing concerns.

12 After completing graduate work, I was doing some
13 marine biological consulting. And I had done some work with
14 the oil companies on mud and cutting studies. And so, I
15 guess that satisfied their interests.

16 ACTING CHAIRMAN MC CARTHY: Sounds like they knew
17 what they were doing. All right. Any questions by the
18 Commissioners? Thank you, Mr. Fusaro.

19 MR. FUSARO: Thank you.

20 ACTING CHAIRMAN MC CARTHY: Now, I have a number
21 of sheets from industry folks. I'm going to need some help
22 because I know -- have any of you talked together as to who
23 wants to lead off?

24 EXECUTIVE OFFICER DEDRICK: I think Bob Faber has
25 some guidance for you there.

1 ACTING CHAIRMAN MC CARTHY: Okay, Mr. Faber.

2 MR. FABER: Just one point. If we are essentially
3 going to move into Item 11 at the same time, there are some
4 additional things that staff have as a presentation which
5 can be taken afterwards or can be taken now. But the
6 introductory comments that I have made were relative to
7 Item 10. And I don't know whether or not the testimony now
8 is directed primarily to 11 or 10.

9 ACTING CHAIRMAN MC CARTHY: I think probably it
10 makes sense to take them together. Mr. Faber, why don't you
11 give us further comments on No. 11 and then the industry
12 folks will know those and know those in advance. We're
13 not calling them back up to the table twice. Not that we
14 wouldn't want to hear from them twice, it's just there's so
15 many witnesses, they might want us to economize. Go ahead.

16 MR. FABER: The questions in Item 11 really deal
17 with the issuance of the permit itself and the documentation
18 that was done for the issuance of the permit. And I'll just
19 address those very quickly.

20 Since the February meeting, staff circulated a
21 negative declaration and has met with several parties to
22 obtain additional information that was requested by the
23 Commissioners.

24 There was a meeting with the Fish Dispersal
25 Committee, which was alluded to at the last meeting, March

1 6th through 8th, which I indicated earlier, a panel of
2 scientists concluded that while it was premature to draw
3 conclusions, they suggested a brief field study which is
4 in the works.

5 Secondly, we dealt with the question of level of
6 intensity of operations of geophysical activity in the past
7 and in the future and determined that there is a high
8 probability that the intensity we've seen in the past is
9 not likely to reoccur.

10 There were several reasons for the phenomenon on
11 why it had occurred in the first place: the number and
12 close proximity of recent lease sales in the Santa Barbara
13 Channel, Santa Barbara Basin area, the unusual complexity
14 of the geology in the Santa Barbara region, the timing,
15 litigation, and administrative uncertainties that were
16 associated with some of the lease programs, and most
17 importantly there is an inherent shift in amount of
18 intensity in geophysical research before before a lease
19 program versus after a lease program in these areas most
20 of the leasing has taken place.

21 Of course, there's an overlap between Federal and
22 State in terms of being immediately adjacent and some
23 geophysical work done in the State, turning, et cetera,
24 as a result of Federal lease sales. But insofar as impacts
25 on State lands are concerned, it does not appear that this

1 same set of circumstances is going to reoccur.

2 We met with the Department of Fish and Game asking
3 for the catch data that I mentioned and we got the responses
4 that I indicated under the briefing on Calendar Item 10.
5 And so, we're proposing to move forward with that.

6 The several members of the fishing community that
7 we met with down in Santa Barbara where the greatest
8 intensity has been experienced expressed issuance for the --
9 expressed support for the issuance of the proposed permits
10 at this meeting and told us that they endorsed the Liaison
11 Office, and asked the staff to propose legislative funding
12 for the types of studies and things.

13 We met also with various public interest groups
14 whose primary concerns dealt with the information on the
15 effects of geophysical information on gray whales.

16 And taking all of these together, the various
17 inputs we got, the major questions were either answered in
18 meetings used to modify the program, or were reflected in
19 the proposals in Calendar Item No. 10.

20 I won't go through the proposed permit itself,
21 since I believe everybody here has had a chance to look at
22 it. But just to give the background on the environmental
23 documentation, an initial study was circulated in January --
24 or was prepared in January and mailed out in February. And
25 comments were received and reviewed for the February meeting.

1 However, staff received no additional information
2 from that public circulation which was not available to the
3 staff before the initial study.

4 Then, after the meeting, the February meeting,
5 a proposed negative declaration was sent to the appropriate
6 State and Federal agencies, to public interest groups,
7 representatives of the oil and fishing industries, and the
8 coastal counties. Staff fully analyzed the comments to the
9 negative declaration. And based on the data, the
10 information, the comments, and the written analysis, which
11 are publicly available in the Commission's files, the three
12 major issues that arose were the preparation of a negative
13 declaration, the preparation of an environmental impact
14 report, potential effects on gray whales and sea otters,
15 and the potential effects on commercial fish harvesting
16 activities.

17 The negative declaration was proposed because
18 the material available to the Commission staff indicated
19 that geophysical research did not appear to have a significant
20 adverse effect on the environment. And, therefore, that was
21 the appropriate documentation for this project.

22 A number of comments were received during the
23 period but, again, none of them provided any new information
24 of potential impacts from geophysical research.

25 Comments and meetings raised questions about what

1 is known, but nothing provided any evidence that there was
2 an adverse impact.

3 With regard to the gray whales and sea otters,
4 the staff has relied heavily on the expertise of the public
5 agencies that are charged with protecting those two species;
6 in the first case the National Marine Fishery Service with
7 regard to the gray whales, and the U.S. Fish and Wildlife
8 Service with regard to the sea otters.

9 And in the proposed permit the recommendations of
10 the National Marine Fishery Service are included in the
11 permit program as recommended.

12 The U.S. Fish and Wildlife Service has made no
13 suggestions to modify the permit in order to accommodate
14 their concerns with the sea otters.

15 With regard to the commercial fishermen, as I
16 indicated, their primary questions were fish dispersal //
17 and the effects on larval stages of fish. With regard to
18 the fish dispersal, that's being worked on by private
19 groups, as I indicated; and with regard to the larval stages
20 of fish, that's one of the studies that we're recommending
21 that we obtain funding for.

22 But those studies are outside the parameters of
23 the negative declaration process.

24 Finally, staff believes that the issuance of the
25 geophysical permits as proposed will not have a

1 significant adverse effect on the environment. The
2 information has, in fact, been developed over the last two
3 years indicating that some of the concerns about environmental
4 effects have not been supported by the available evidence,
5 and geophysical research is known to produce valuable
6 information for administering natural resources and assist
7 in the development of environmental protection and safety
8 measures in other offshore oil drilling.

9 So, we would propose the adoption of the
10 recommendations at the end of Item 11 on page 43.10.

11 ACTING CHAIRMAN MC CARTHY: Any questions
12 immediately of -- all right. There is some language that
13 I would like to indicate is going to be offered as an
14 addendum to the recommendations. And I'll read that so
15 that anyone in the audience can address this.

16 "Among the proper grounds for modification or
17 revocation is a finding by the Commission following a
18 noticed public hearing that the permittees or their
19 representatives are not cooperating adequately to ensure the
20 timely planning and completion of the scientific and
21 technical evaluations described in Calendar Item No. 10
22 approved at the May 24th, 1984 Commission meeting."

23 Where are we recommending this be inserted?

24 MR. FABER: That would be Section 14 of the
25 permit.

1 ACTING CHAIRMAN MC CARTHY: All right. Section
2 14 of the permit.

3 MR. FABER: That would be on Calendar Item,
4 page 43.21.

5 "ACTING" CHAIRMAN MC CARTHY: Okay. Thank you.
6 Now, regarding the next witnesses, incidentally, if any
7 of the first witnesses want to address the specific
8 points raised by Mr. Faber regarding ^{LD}Item No. 11 on the
9 calendar, you can do so subsequently. If you don't feel a
10 need to, that's fine.also. But because we had not put
11 that out, so for purposes of addressing those specific
12 points, rather than getting into a rebuttal back and forth,
13 that is going to be permitted. I'm looking at the list
14 of industry witnesses I have and I see that there are four
15 that have signified that they represent associations.

16 If I may, I want to identify those first. And
17 since I'm assuming that there is a consensus among oil
18 companies and seismic testing companies among their own
19 groups and, therefore, the organizational representatives
20 are going to address a wider point of view. Let's give
21 these names first and find out if I'm on the right track.

22 Betty Jane Kirwan, representing Western Oil &
23 Gas Association. Daniel -- pardon me. Donald Patterson
24 from Phillips, also representing LOGA. And apart from
25 that, we have Mr. -- I'm sorry. Is it Mr. Leslie Bratcs?

1 Is it Mr. Bratos?

2 MR. BRATOS: Bratos, but I'm not -- I'm
3 representing the company and not a spokesman.

4 ACTING CHAIRMAN MC CARTHY: Okay. You were
5 listed as representing the Western Geophysical Company of
6 America. That's not an organization; that's just your
7 company.

8 MR. BRATOS: That's correct.

9 ACTING CHAIRMAN MC CARTHY: All right. Thank you.

10 Charles Darden, president of the International
11 Association of Geophysical Contractors. Now, Mr. Darden,
12 you indicate you primarily can speak as to why there are
13 so many surveys conducted close to each other right around
14 the same general time frame. Your testimony, rather, is
15 going to be on that more limited basis. Is there anyone
16 here speaking for all the geophysical companies? That's
17 you. What is your name?

18 MR. BOWLES: My name is Larry Bowles. May I
19 approach the --

20 ACTING CHAIRMAN MC CARTHY: All right. Why don't
21 you step forward. Let me ask. What about the other
22 organizational spokesmen that are here? Would you like
23 to step forward?

24 MR. BOWLES: I can respond I think.

25 ACTING CHAIRMAN MC CARTHY: Whatever way you want

1 to arrange your own testimony.

2 MR. BOWLES: Thank you very much.

3 MS. KIRWAN: I'd like to defer to Mr. Bowles.

4 ACTING CHAIRMAN MC CARTHY: All right. Thank you.

5 Mr. Bowles

6 MR. BOWLES: My name is Larry Bowles. I think
7 you've seen me before here about 90 days ago. I'm with
8 Geophysical Service, Inc. I'm also chairman of the Public
9 Government Affairs Committee of the International
10 Association of Geophysical Contractors. I'm here to speak
11 primarily as -- in my leadership role with the IAGC.

12 We're here today to some extent to remind you
13 of the messages we brought to you 90 days ago. And that is
14 that our industry does perform a vital role. We are good
15 corporate citizens in regard to conservation of the
16 environment and regards to safety in operations. Our role
17 benefits California citizens directly and indirectly through
18 the functions of the State Lands Commission.

19 We asked at that time for a longer permit period
20 and explained why we needed it, and gave some testimony as
21 to what harm might be done to people and companies should
22 the permits be denied. And, as we're all aware, you granted
23 us an opportunity to play to an overtime, so to speak --
24 to use a basketball analogy. And now we're here before you
25 again. And since that time we've not only -- those points

1 we made last time are still valid, but we've tried to
2 address more directly some of the concerns that the
3 Commissioners brought up at the hearing in February.

4 And in the interest of time management, although
5 as you look around the room you'll see there are numerous
6 people in the room who are here in support of issuing the
7 permits.

8 In fact, it's sort of a Who's Who in the oil and
9 geophysical industry. Any one of these people could speak
10 expertly on the issues before the Commission. However,
11 in the interest of time, my colleagues have graciously
12 agreed to allow us to pare down the speakers' list to six.

13 But there are several who wish to submit written
14 statements and I would like to submit one on behalf of
15 Chuck Darden -- or Charles Darden, who's the fulltime
16 president of the International Association of Geophysical
17 Contractors. And there are some others I think that have
18 already submitted them to the secretary earlier, some
19 written statements.

20 There are also others who are here who will --

21 ACTING CHAIRMAN MC CARTHY: Who are the others
22 that will be testifying? Do you want to identify those?

23 MR. BOWLES: Yes. I have a list of those.

24 ACTING CHAIRMAN MC CARTHY: All right. Thank you.

25 MR. BOWLES: We also have people in the room,

1 Mr. Chairman, who will be here to answer questions in
2 certain specialized expertise if you have questions.

3 The speakers in the issues are Mr. Carroll Hoyt,
4 who's president of the San Diego based geophysical firm of
5 Nekton, who will address the Commission's desires to better
6 understand the role of geophysical exploration, the recent
7 history of activities offshore California, and the
8 probable future activities.

9 He will also make a statement about the harm that
10 would result should permits be denied.

11 Then I will return and speak about the good
12 relationship between our industry and the commercial
13 fishermen.

14 Dr. D. Chamberlain, an environmental scientist,
15 will then present a review of the numerous environmental
16 studies that have been done. And by the way, these show
17 that our activities do not adversely affect the communities
18 and populations of fish and marine mammals.

19 Then Doug Barman of Texaco will speak about the
20 role of geophysical exploration and sound resource
21 management and the benefits that accrue from application of
22 our technologies. And he's also going to make a brief
23 statement about our need for reducing the uncertainty in
24 terms of the term of the permit.

25 I would like to parenthetically offer at this

1 point also that we request a modification in the suspension
2 of permit procedures as it would allow a process that I
3 refer to as a show cause and allow for a hearing prior to
4 the actual suspension rather than suspension then hearing.

5 And, then, Mark Savit, an attorney who's counsel
6 to IGC, will make some remarks in response to the permit
7 term that was just suggested.

8 But before we get started on that list -- I said
9 there were six speakers -- the first, since we can't bring
10 a geophysical vessel into this room, we've done what we
11 consider to be the next best thing. We have a short
12 video tape showing the actual operation and the marine
13 environment of a geophysical vessel.

14 Mr. Dave Bennyhoff of Arco will present this
15 film and I think also he may present an invitation to the
16 Commission.

17 I appreciate your allowing me to present this
18 brief introduction of our presentation today. And with your
19 permission, I'll have Mr. Bennyhoff approach. Thank you.

20 ACTING CHAIRMAN MC CARTHY: For the record, why
21 don't you identify yourself, Mr. Bennyhoff.

22 MR. BENNYHOFF: My name is Dave Bennyhoff with
23 Arco Exploration. And today I would like to present a
24 short film on Arco Exploration's seismic vessel, the Arco
25 Resolution.

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This film will hopefully broaden understandings of what seismic -- what a seismic vessel and her equipment configuration are actually like under actual operating conditions.

The Resolution represents a total investment to the company of some \$25 million with a total useful lifespan of five or six years.

You may ask why one company would invest this amount of money in a vessel with a lifespan that is so short. The answer to that question is rapid advancements in technology. Technology advancements in our industry are usually developed by one or more of the geophysical contractors and associated companies and held proprietary to each one of the companies.

With the vessel like the Arco Resolution, we can choose the highest of these technologies available from all the geophysical contractors and suppliers and place those technologies on the vessel integrating the technology together on one vessel creating a seismic vessel where it is considered above the state of the art.

But with these advances come larger and larger systems and we soon outgrow the space available on the vessel herself; thus, obsoleting the vessel.

But since all the so-called easy oil is found, we have to continue expanding and using this culmination of

1 technology to map the subsurface with greater and greater
2 accuracy to find the smaller structures that have eluded
3 us in the past. Finding these structures can help make
4 America more energy independent.

5 And with that, I would like to present the video-
6 tape that I have brought of the vessel and also submit it
7 for the record for future reference.

8 EXECUTIVE OFFICER DEDRICK: Bob, are you going to--

9 MR. BENNYHOFF: Bob, would you?

10 MR. FABER: Okay.

11 MR. BENNYHOFF: I would further like to extend
12 an invitation to the Commission and the staff to visit
13 this vessel anytime in the near future. We'd be glad to
14 arrange a visit to the vessel itself.

15 ACTING CHAIRMAN MC CARTHY: Thank you.

16 (Thereupon the videotape presented
17 by Arco Exploration was played for
18 the Commission.)

19 ACTING CHAIRMAN MC CARTHY: Would you like to add
20 any comments?

21 MR. BENNYHOFF: No, unless you have any questions.

22 ACTING CHAIRMAN MC CARTHY: All right. Well, I'm
23 impressed with what I just saw. Now, what is the message
24 you want me to get in connection with Items 10 and 11?

25 MR. BENNYHOFF: Well, I'd like to stress that with

1 the money that is expended in a vessel such as this,
2 proprietary vessels, that oil companies and geophysical
3 contractors would like the permit granted and that we do
4 care for the environment. We are working on all the
5 environmental concerns. I think in the future they will
6 all be -- all questions will be answered.

7 ACTING CHAIRMAN MC CARTHY: Okay. Do you have
8 any questions? Thank you very much.

9 Mr. Bowles, are you back up here? Did I hear you
10 correctly?

11 MR. BOWLES: Carroll Hoyt.

12 ACTING CHAIRMAN MC CARTHY: All right. Mr. Hoyt?

13 MR. HOYT: Good morning.

14 ACTING CHAIRMAN MC CARTHY: Good morning.

15 MR. HOYT: Members of the Commission --

16 ACTING CHAIRMAN MC CARTHY: Why don't you give us
17 a full definition of who you are and who you're representing.
18 Mr. Hoyt.

19 MR. HOYT: Very well. That's what I was planning
20 to do in my opening statement here.

21 ACTING CHAIRMAN MC CARTHY: I thought you were
22 launching right into the substance.

23 MR. HOYT: No, sir. I have a statement, couple of
24 statements here, which will define what I intend to present
25 in a more documented form. Afterwards, I'm going to

1 introduce myself and I'm going to depart just for a
2 moment to say something which will reflect upon the
3 importance of your considerations relative to our company.
4 Then I want to review some of the questions that you posed
5 before. And then we'll get into the testimony.

6 ACTING CHAIRMAN MC CARTHY: All right.

7 MR. HOYT: First off, I am Carroll Hoyt. I am
8 president of Nekton, Incorporated from San Diego. I'm a
9 geologist and a geophysicist with 26 years of experience
10 in exploring for oil and gas deposits.

11 Our company performs geophysical surveys in both
12 State and Federal waters and these surveys include a
13 variety of systems which fall into two general types.

14 The first type of system uses high frequency
15 acoustic energy to gather shallow reflection data for
16 engineering purposes.

17 The second type of system uses medium to low
18 frequency energy to penetrate deeper below the sea floor
19 to assist in mapping geological features important for
20 exploration and development drilling.

21 Now, as I indicated, before I launch into the
22 documentary materials, I'd like to make a statement on
23 behalf of our company.

24 The company which is now Nekton was founded in
25 1953 by a group of marine scientists affiliated with

1 Scripps Institution of Oceanography at La Jolla. In those
2 early years growth in the field of oceanography was slow,
3 and by 1974 we had only about a dozen employees. Over the
4 past ten years, however, the company has expanded into
5 oceanographic pursuits and into seismic surveying, and in
6 the process has grown into a diversified firm with a family
7 of over 110 employees, and which, last year, contributed
8 over \$7 million to California's economy.

9 Today, after more than 30 years of growth and
10 hard work, because of curtailments imposed upon offshore
11 activities by delays in scheduled lease sales and by
12 unrealistic demands by environmental groups which threaten
13 the right to pursue what I believe to be normal, harmless
14 activities, the very survival of our company is at issue.
15 And this is not mere rhetoric.

16 I'm certain that as I sit here, other companies
17 in our industry are similarly endangered. I respectfully
18 request that as this Commission weighs the testimony and
19 the evidence in hand on the question of continuing without
20 interruption the issuance of permits for seismic operations
21 in State waters, that it consider carefully the damage that
22 even a short interruption in this process could impose upon
23 companies such as ourselves and other California citizen

24 Now, the purpose of my presentation from here on
25 will be to answer some of the questions posed by you,

1 Governor McCarthy, at the conclusion of the last hearing
2 on seismic permitting back in February.

3 Among some basic questions which you asked were,
4 if I understood correctly, the following: What has been the
5 pattern or level of seismic survey activity in recent
6 years? Where has this activity been concentrated and why?
7 Why are so many surveys required in the same area over a
8 period of time? Why should the same area be surveyed by a
9 number of different vessels? And what is the outlook for
10 future survey activity in State waters?

11 Now, in the few minutes that I'm allowed, I will
12 attempt to answer some of these questions directly and some
13 of them indirectly. Now, I have a number visuals that I
14 would like to present. And if I may, I would like to come
15 forward and to distribute copies of some of the visuals
16 I will be presenting.

17 ACTING CHAIRMAN MC CARTHY: Please do.

18 MR. HOYT: And I'm going to ask Mr. Frank Kingery
19 with Westec of San Diego --

20 (Thereupon Mr. Hoyt distributed copies
21 to the Commissioners and the Executive
22 Officer.)

23 MR. HOYT: Now, I think it might be better, if
24 the mikes will pick up these recordings, if I stand up
25 there rather than -- or I can use this mobile mike. Let me

1 go round over there.

2 ACTING CHAIRMAN MC CARTHY: Could you also use
3 one of those mikes which works better?

4 EXECUTIVE OFFICER DEDRICK: It's hard to say.
5 Probably the hand mike will be easier.

6 ACTING CHAIRMAN MC CARTHY: Is there a switch on
7 that mike itself?

8 MR. HOYT: How about if I speak very loudly? Can
9 everybody hear me?

10 EXECUTIVE OFFICER DEDRICK: You're going to need
11 a mike.

12 ACTING CHAIRMAN MC CARTHY: Who knows how to
13 work this? In this room full of scientists; do you have
14 the right one?

15 EXECUTIVE OFFICER DEDRICK: Do we have an
16 engineer out there?

17 (Laughter.)

18 ACTING CHAIRMAN MC CARTHY: You can't expect a
19 lawyer to know anything about that.

20 (Thereupon a hand microphone was secured
21 for the witness.)

22 MR. HOYT: I'll just briefly run through the
23 particular points that I will be addressing. This is an
24 outline of the presentation, perspective on outer continental
25 shelf basins, perspective on California OCS lease offerings,

1 California State tidelands in perspective, and overview
2 of seismic technology, summation of seismic survey activity
3 with Federal and State lease offerings, factors which
4 improve seismic survey activity, and the outlook of future
5 survey activities, and a few of my own personal suggestions.

6 Let's go to the next one.

7 Okay. This map is to give you a perspective of
8 the main portions of the outer continental shelf around the
9 U.S. and Alaska. While the total area on the outer
10 continental shelf is large, not all of this frontier is
11 prospective for oil and gas.

12 EXECUTIVE OFFICER DEDRICK: Mr. Hoyt, can you
13 keep that mike right up against your mouth for the record?

14 (Thereupon an adjustment was made to
15 the viewer.)

16 ACTING CHAIRMAN MC CARTHY: We're always accused
17 of looking at things through blurred eyes up here anyway,
18 Mr. Hoyt.

19 (Laughter.)

20 MR. HOYT: We run a test on it before and
21 everything was working just fine.

22 This map shows sedimentary basins presently
23 recognized as having the best potential for discoveries. If
24 you can slide that over, you'll see here some areas along
25 the Atlantic Coast, down here in the Gulf of Mexico. Here's

1 an inset of Alaska and a number of the darkened areas
2 showing sedimentary basins there. And on the West Coast
3 some relatively smaller areas off of California and
4 Washington.

5 Note that the prospective areas along the
6 Pacific Coast are relatively small, and close to shore. And
7 while smaller in size than in some of the other regions,
8 we will see later that California has highly prospective,
9 and that there is much yet to be learned.

10 Go to the next one,

11 This is -- just briefly, makes a comparison of
12 the lease activity offshore of the Pacific Coast down here
13 compared with other areas on the continental shelves around
14 the U.S. In the Gulf of Mexico, for a period of 30 years
15 there have been a total of 50 lease offerings. On the
16 Atlantic shelf, in a period of nine years, there's been 10.
17 Off of Alaska in nine years, there have been nine lease
18 offerings. And off of the Pacific shelf, a total of 10,
19 of which one consisted of a drainage lease and one off the
20 States of Oregon and Washington. The total of activity
21 here, as you can see on the right, consists of 1,230 leases
22 offered and 442 actually leased,

23 Next.

24 Now, this is a bar chart showing the relationship
25 of the number of leases which have been offered at various

1 lease sales held here on the Pacific Coast. Those totals
2 are in the light bar charts here and on the corresponding
3 bars in black here are shown the tracts which are actually
4 leased.

5 As you can see, over a period of about 20 years
6 the total number of leases which have actually been bid
7 upon and awarded to the industry has been steadily
8 diminishing.

9 Now, in spite of all the lease activity which
10 has occurred here on the Pacific Coast over this 20-year
11 period, leases up and down the coast of Northern California
12 and a number of places in Southern California, what we have
13 ended up with is this relatively limited area of leases,
14 currently active. Out of a total of 1,034 tracts offered
15 offshore California over this 20-year period, 341 tracts
16 were actually leased. And as of September of 1983 only
17 184 of these actually remain under lease.

18 For your information, a lot of these areas down
19 here have once been leased; they've had a number of holes
20 drilled on them and they have since been quitclaimed. So
21 that's the sum total of all Federal leases presently in
22 effect today.

23 Now we come to the real focus of today's problem,
24 the California State tidelands. The thin-dashed line along
25 the coast here represents the three nautical mile limit,

1 which is what designates State waters.

2 Here in brown down in the southern part represents
3 these areas which are currently under lease to industry by
4 the State. Some are down here by Los Angeles off Wilmington
5 and Huntington Beach. And the balance of these leases are
6 in the Santa Barbara Channel, a number of them west of
7 Santa Barbara.

8 Next. This slide shows the -- or depicts, rather,
9 the leases which have been awarded by the State over a
10 period of time commencing back here in 1929. The X's show
11 the number of individual leases in any given year, so you
12 can see there's been relatively few as we've gone along.
13 The greatest number of these were awarded in the period
14 from about 1957 through 1969; a total of 57 were awarded,
15 six of these have been quitclaimed, leaving 51 active
16 leases.

17 I'm sorry that doesn't show up a little better,
18 because this is really quite important.

19 (Thereupon the viewer screen was
20 adjusted.)

21 MR. HOYT: I think that shows better. Okay. I'll
22 indicate the color coding here. The green color depicts
23 areas where there are oil fields. And by the way, here is
24 the coastline here. This is all inland. This is all
25 Santa Barbara Channel down here, the Channel Islands, the

1 Santa Maria Basin offshore there. State lands are in this
2 hatched (sic) area which run right along the coast in
3 here, three miles.

4 The green represents oil fields recognized today,
5 the red represents gas fields, the yellow represent
6 structures which may prove to be productive. Some of those
7 have been drilled, in fact, since this map was made. This
8 has become recognized as an oil field. That one up there,
9 there may be a couple more up in Santa Maria currently being
10 tested.

11 The orange areas represent sanctuaries where no
12 drilling or production is presently permitted.

13 Now, the concentration of oil fields shown in this
14 map explains why much of the seismic activity offshore
15 California has been in this area. It also shows why the
16 area is important both to the State and to the industry.

17 One of the major fields in the area is the Hondo
18 field discovered by Exxon a number of years ago. The
19 recent discoveries by Chevron at Point Arguello are in here
20 in this very large field and some smaller fields here,
21 as I indicated, some newer ones not colored in there.

22 The significance of these new discoveries with
23 respect to industry is that they have been -- that
24 production has been developed from a formation called the
25 Monterey formation, which in prior years was recognized as

1 being productive of oil and gas, but in the onshore
2 areas most of this oil was low gravity and fairly high
3 sulphur content and was not particularly economic to look
4 at.

5 Now, in some of these more recent discoveries
6 offshore what has been found is that in deeper parts of the
7 sedimentary section where greater heat has been applied,
8 the oil is a much higher quality and a lower sulphur content
9 and much more valuable. And consequently, this has led
10 companies to seek new areas in which to drill for this
11 particular formation.

12 The moratorium on State lands after the oil spill
13 in 1969 lasted until December of 1973. Then, drilling was
14 permitted only from existing locations unless there was
15 special permission from the State Lands Commission. The
16 first well drilled on a State lease from a mobile ship was
17 drilled in May of 1982 by Arco Oil & Gas Company up here
18 near Elwood Field just off of the university up there. And
19 it resulted in a significant new discovery of oil mostly
20 from the Monterey formation, good quality oil.

21 Now, the reasons for recent seismic activity will
22 be discussed in more detail later, but some of the more
23 important factors should be mentioned here. After the
24 State leases were issued in the late fifties and early
25 sixties, the drilling was based on the seismic technology

1 and the geology then available. For a long period after
2 the oil spill in 1969 there was very little reason to
3 survey State waters since there was no drilling permitted.

4 But during this same period of time seismic
5 technology was advancing. In the same period of the
6 1970's, because of the high quality oil discovered in Hondo
7 field, a growing awareness of the Monterey formation, to
8 which emphasis was added by Arco's discovery at Coal Oil
9 Point; thereafter, attention was again directed to the
10 older State leases along in here.

11 But the data from these old surveys could not
12 provide the information needed for deeper studies; therefore,
13 new surveys were called for. It should also be mentioned
14 that the geology along this coast is highly complex and
15 difficult to map; therefore, closely spaced gridlines
16 and different types of systems must be employed. Even so,
17 there is much yet to be learned about this area and ways to
18 improve mapping it are still being developed.

19 Now, the State has a vital interest in allowing
20 seismic surveys to proceed in this area as there is a strong
21 probability that new discoveries will be made that will
22 yield significant oil revenues or royalties to the State. And
23 I think you can see just simply from your own lining up of
24 the various colors represented by the things these colors
25 represent, the oil and gas fields and the new structures,

1 that there is certainly some possibility of additional
2 discoveries being made in the waters in this particular area.

3 This diagram represents the elements -- I can
4 explain what the elements are of the basic seismic profiling
5 system.

6 Every seismic system of which I will name some
7 examples shortly has the same basic elements. First of all,
8 you have a sound source of some kind. Secondly, you have
9 some kind of a receiver which will pick up the reflected
10 echoes from the sea floor and from the various reflective
11 horizons below the sea floor. Thirdly, you have some kind
12 of recording system upon which to pick up these signals
13 and record them so that they may be processed and analyzed
14 later.

15 Now, some examples of seismic systems are present
16 on virtually every vessel afloat. The fathometer is a
17 seismic system. It emits sounds, goes through the water,
18 and comes back up and the transit time is interpreted as
19 water depth.

20 Fish finders are used on many fishing boats. These
21 are seismic systems. Sonar is used by the Navy and survey
22 companies are seismic systems.

23 In the animal kingdom bats use seismic systems,
24 dolphins. And blind men tapping a cane along the street to
25 hear the echoes bouncing over the doors and the hallways

1 also are seismic systems in the crudest form.

2 Now, by increasing the energy using lower
3 frequencies we can map below the sea floor.

4 Now, what -- what I'm going to illustrate here is
5 a seismic profile and the evolution of technology over a
6 period of time. Here you're looking at the surface of the
7 sea. Here is the sea floor represented there. And these
8 reflective horizons along here are the beds, the sedimentary
9 beds which have been tilted in this direction off to the
10 right.

11 Now, in the early days, perhaps 15 or 20 years
12 ago, this was all we could detect with a seismic system.
13 But as time went on, -- drop it down a bit -- we began to
14 be able to pick up deeper reflections and we see that some
15 different things are happening.

16 Would you drop it on down more?

17 With modern technology we can see that what was
18 once an area of simply inclined beds over there that offered
19 no prospects for drilling for oil and gas, we now see that
20 down deeper there are, in fact, some structures which are
21 called anticlines, where oil and gas may be trapped. And
22 this is the kind of trap that -- from which approximately
23 70 to 80 percent of the world's oil is produced. This is
24 a very simple seismic diagram. There are areas which are
25 extremely complex and which yet cannot be mapped with the

1 technology available. And that's what we're working on
2 today.

3 And though the information presented in the
4 following slides was developed by Westac Services, Inc.
5 of San Diego, this is an independent consulting firm
6 retained to study all seismic survey activity conducted
7 offshore California between 1973 and 1984. Their final
8 report, which I will submit for the record here,
9 incorporates responses from questionnaires submitted to
10 23 oil companies and 21 geophysical contractors.

11 The charts and conclusions in the report are based
12 upon total survey activity in both State and Federal waters.
13 It would have been desirable to segregate activity in
14 State waters and to examine it separately, but while some
15 surveys are principally confined to State waters, many other
16 surveys directed at Federal leases are commonly extended
17 into State waters for the continuity of mapping.
18 Separating these statistics would have been a herculean
19 task.

20 Nonetheless, the report provides an excellent
21 insight into cause and effect relationship. It also
22 provides a means to judge possible activity levels in the
23 future since the factors which relate seismic activity
24 to Federal leasing are much the same for State leases.

25 I suggest that you study the report itself for

1 details.

2 There were two principal findings which should
3 be of significance to this Commission. First, the peak of
4 survey activity related to a specific lease -- and again
5 we're talking about Federal -- but we can also demonstrate
6 the same thing for State leases. The peak of survey
7 activity for a specific lease offering typically occurs
8 12 to 24 months in advance of the sale. Number two, there
9 is a definite correlation between scheduled lease offerings
10 and the level of seismic activity. And we'll see this
11 shortly.

12 Now, this slide shows idealized curves as related
13 to a sale. This curve up here at the top represents the
14 proprietary activity by an oil company or by oil companies.
15 This curve down here represents so-called speculative or
16 surveys conducted by contractors for their own account
17 which they sell to the oil companies. There is a little
18 more time available off over in here. The contractors try
19 to get their surveys run a little sooner while the oil
20 companies themselves take a look at this. Then they may go
21 back in there and conduct their own surveys with their own
22 specialized equipment as close as they can before -- in
23 time before the sale so that they can get the information
24 and interpret it to help make decisions on their bidding in
25 that sale.

1 Here, as you can see, is where the sale itself
2 occurs. There is a -- essentially a paucity or complete
3 absence of survey activity with respect to that particular
4 sale.

5 And immediately after the sale there's a pickup
6 at a much lesser level in drillsite activity or rather in
7 activity which relates to the selection of drillsites,
8 getting clearances, that sort of thing. There are other
9 types of surveys which are conducted here. After a sale,
10 the overall level of activity tends to pick up but at a much
11 lower level and then diminishes over a period of time.

12 Next.

13 This particular slide here represents the
14 summation of all of the activity. These are bar charts
15 which represent activity by year from 1973, 74, 75, and so
16 on up through the year 1984.

17 The areas that we're talking about are shown here
18 and I won't name them off, but starting at the southern part
19 of the State working on up to the northern part of the State.
20 Up at the top of the slide here we see the location in time
21 of the various Federal lease sales; Sale No. 35, which
22 occurred in the latter part of 1975; Sale 48, around 1978-79;
23 then Sale 53, Sale 68. And then you'll see that we had a
24 concentration of sales to be proposed or that were proposed,
25 some of which were held and some of which have been delayed.

1 One of these, of course, is the State sale at Point Arguello
2 and Conception. So, you're just looking here at an overview,
3 you can see that the level of seismic activity has climbed
4 in accordance with the closeness in time of the spacing of
5 those proposed sales.

6 Next.

7 ACTING CHAIRMAN MC CARTHY: May I ask a question,
8 Mr. Hoyt, before you continue?

9 MR. HOYT: Yes, sir.

10 ACTING CHAIRMAN MC CARTHY: Would you expect the
11 bar to show for '84 and '85, '86, you know, part of the
12 gradual increase?

13 MR. HOYT: We only have a portion of the year '84,
14 of course, reported. We have no information for '85 or
15 '86. But I will address that question later on and I will
16 make my statement relative to what I would anticipate.

17 ACTING CHAIRMAN MC CARTHY: All right.

18 MR. HOYT: And one of the things that you asked
19 before was which areas had the greatest amount of activity
20 and what the relative amounts were. Here we are -- we have
21 the information segregated by area. This is the Southern
22 California area here off of the southern coast, the
23 outer banks area is denoted by this bar chart. The
24 Santa Barbara Channel area, of course, stands above all the
25 rest, a lot of activity there. The Santa Maria Basin here,

1 the respective smaller areas as we go to the north would
2 show substantially a diminished activity relative to the
3 other areas.

4 Next.

5 Now, this particular bar chart is -- illustrates
6 the relationship of the survey activity in an area where
7 leases were being proposed for offering in that area. The
8 yellow indicates here that we're talking about the outer
9 banks area and all the areas south of the Channel Islands.
10 And in yellow here I've also identified those lease sales
11 No. 35, 48, 53, 73, and proposed Sale 80, which also had
12 lands proposed for offering in that area; consequently,
13 they did generate some seismic activity in that area.

14 And as you can see here, for Sale 35 there was a
15 buildup of activity in the year or more just prior to
16 1935 -- I mean prior to Sale 35, then it dropped off.

17 Now, there was also a buildup for Sale 48, but
18 this is somewhat anomalous because Sale 48 was delayed almost
19 two years from the time it was originally proposed. Had
20 Sale 48 occurred when it was originally scheduled, it would
21 have been off over here again correlating with the rise
22 in activity.

23 Now, there are also negative correlations here;
24 namely, this Sale 53. Sale 53 originally was scheduled
25 to cover a lot of the northern basins and the Santa Maria

1 Basin, and as you can see, the activity in this area down
2 here was very much reduced.

3 Again, we have had some buildup in activity
4 in advance of these other sales.

5 Now, this represents the activity in the
6 Santa Barbara Channel which is again where most of the
7 activity has occurred. And it very much looks like a bar
8 chart reflecting activity for the total offshore area. We
9 see the buildup in activity as these sales have been
10 concentrated in time up here. And, again, I won't belabor
11 that point, but I think it's quite evident.

12 All right. Now, let's talk about the factors
13 which influence seismic activity. The first and most
14 important is the perceived opportunity for discovery by
15 industry; that is, the proximity to existing production,
16 to other new discoveries and to favorable geology in an
17 area; in other words, the opportunity for finding oil
18 motivates seismic surveys.

19 Number two in importance would be the economic
20 factors -- the oil price, existing facilities, cost to
21 develop, that sort of thing.

22 Number three would be the size and the frequency
23 of the lease offers. The frequency, of course, is quite
24 evidence and, of course, the size -- the larger the area the
25 more incentive there is to run surveys over a longer period

1 of time. The complexity of the geology -- if the geology
2 is fairly simple, it doesn't take a great deal of survey
3 and mileage to define what the major features are. The
4 more complex the geology, the more lines must be run in
5 order to define those features.

6 The need for different types of information is
7 another factor -- geological concepts, new objectives,
8 revised interpretations cause companies to go back and to
9 run additional surveys to work out some of these new
10 thoughts.

11 Weather windows are influences. There's a
12 portion in the Westco report that shows during the summer
13 months here offshore California -- although the weather is
14 good -- it is more critical for the major companies to be
15 up in Alaska where their weather window is extremely short --
16 lasts about three or four months -- consequently, they
17 tend to send their boats to Alaska and work up there in the
18 summer and then to come back and work offshore California
19 in the fall or perhaps --

20 MR. BOWLES: Mr. Chairman, I'm not sure Carroll's
21 aware -- I don't know whether you're supposed to break for
22 lunch or what your proceeding is.

23 ACTING CHAIRMAN MC CARTHY: We're going to see if
24 we can go through. We would appreciate your having, you
25 know, in a cumulative sense, how long you want your testimony

1 to be for.

2 MR. BOWLES: Excuse me, Carroll, we were concerned
3 about the time.

4 MR. HOYT: The liability and scheduling of
5 offerings. I mentioned a few minutes ago that a number
6 of these sales have been postponed. And in other instances
7 a lot of the areas have been deleted from sales; consequently,
8 there is a reluctance now of some operators to survey these
9 areas until they are a little more assured that the sale
10 is going to, in fact, come off and that the lands they're
11 surveying will be offered.

12 And lastly, advances in technology required new
13 surveys over a period of time.

14 Now, what is the outlook for future activity in
15 State waters? That was the question you asked just a
16 moment ago.

17 I believe the answer to this question has several
18 parts with activity levels and locales being depended upon
19 future lease sale offerings by the State. That, of course,
20 is pretty much in your hands and the response will depend
21 upon some of the things I have mentioned before as
22 response by industry --

23 ACTING CHAIRMAN MC CARTHY: Do you mean along
24 other parts of the coast, Mr. Hoyt?

25 MR. HOYT: Well, the State --

1 ACTING CHAIRMAN MC CARTHY: The future lease
2 offerings right here in this off Santa Barbara area.

3 MR. HOYT: I would say the answer to that would be
4 both. There are unleased areas in the Santa Barbara
5 Channel that I believe industry would probably be
6 interested in. There are others north of Point Arguello
7 and further on up the coast.

8 ACTING CHAIRMAN MC CARTHY: We have a fairly good
9 definition of how much oil exploration is going on off the
10 Santa Barbara coast.

11 MR. HOYT: Yes, sir.

12 ACTING CHAIRMAN MC CARTHY: All right. So why
13 don't, you know, we're in a better position to assess the
14 amount of seismic survey work that's being done in that
15 area.

16 MR. HOYT: In the Santa Barbara Channel area.

17 ACTING CHAIRMAN MC CARTHY: And that's what I'm
18 asking about. I'd like you to address that at some point.

19 MR. HOYT: How much additional work we can expect
20 in Santa Barbara Channel?

21 ACTING CHAIRMAN MC CARTHY: Yes. My questions
22 last time I appreciate that you can't gauge this for
23 off San Diego. You don't know what is going to happen down
24 there, the extent of any oil exploration is going to be or
25 other parts of the California coast. There may be none;

1 there may be some. You can, however, gauge it for the
2 Santa Barbara coast because you already have -- there's a
3 track record. All right.

4 MR. HOYT: Let's go to the next slide.

5 In answer to that, I would give these conclusions.
6 That the recent moderate levels of activity in State waters
7 are probably unique and due to a combination of factors
8 not likely to be repeated. Much of that activity around
9 Point Conception and Point Arguello is related to the fact
10 you had at least three Federal lease sales within a distance
11 of some ten miles of those State lands. And it was
12 announced by the State that these tracts were to be
13 offered. Consequently, there was a great deal of activity
14 there. And I certainly don't believe that that kind of
15 situation will ever repeat itself.

16 Now, there are some other tracts, at least three
17 quitclaim areas, down along the northern side of Santa
18 Barbara Channel, some others along Hueneme, and some other
19 areas up north of Point Arguello between there and the
20 Santa Maria River which are of interest to industry, I
21 believe, and which I have heard the State has from time to
22 time given thought at some future date of offering. As
23 a result, there have been some surveys already conducted
24 on some of these lands. I would anticipate that if a
25 formal announcement was made, some additional surveys would

1 take place there. I would certainly not expect us to see
2 anything like the level of activity that we have just
3 experienced.

4 Over the longer term activity in this area
5 should diminish steadily with occasional increases on a
6 localized basis due to the activity of individual operators.

7 Elsewhere, survey activity levels on State
8 tidelands -- and I'm talking about areas not located in
9 Santa Barbara Channel, other parts of the State -- such
10 activity will depend upon lease offerings made by the State
11 and subject to the same factors at which influence this
12 activity and which I mentioned before. The interest in
13 these areas could be rather high for a very short period of
14 time.

15 That's it. Okay. I have one last couple of
16 little comments and that will conclude my presentation.

17 I would respectfully suggest that before we cut
18 off the issuance of permits, before we implement severe
19 regulations that we study this situation a little bit more.
20 And it appears that this has already been undertaken, or
21 at least steps have been made in this direction.

22 I think one should be aware that the possibility
23 that these concerns about activity levels, use conflicts,
24 and environmental questions may be transitory. And I think
25 we've already discussed that today.

1 The second thing I would like to suggest is
2 that the parties in interest should work together. I think
3 we've already made progress in that direction. The
4 offshore is a new frontier and it is very large. Ultimately
5 it will be used by many different groups and many different
6 people.

7 Our task is to develop guidelines so that all
8 users have equal opportunities to benefit.

9 Lastly, I think we should use the common-sense
10 approach. By this I mean we should recognize that the sea
11 and its underwater land are little different than any other
12 undeveloped area. Such lands should be utilized in ways
13 consistent with preserving the most desirable aspects while
14 benefitting from their natural characteristics and their
15 resources.

16 I thank you for this --

17 ACTING CHAIRMAN MC CARTHY: Thank you, Mr. Hoyt.

18 Do you have any questions?

19 MR. JERVIS: No, I don't.

20 ACTING CHAIRMAN MC CARTHY: Mr. Bowles, your
21 next witness.

22 MR. BOWLES: Thank you. I'd like to make a
23 brief presentation on the steering committee that's been
24 mentioned -- Mr. Faber mentioned in his overview.

25 I've been a participant in both the joint

1 committee and the steering committee as a representative of
2 the International Association of Geophysical Contractors.

3 When they first put the steering committee in
4 context, the joint committee -- as mentioned earlier -- as
5 Craig Fusaro reported on, it's formed of five people
6 representing the commercial fishing industry and five people
7 representing the oil and geophysical companies.

8 One of the issues that we wanted to discuss between
9 the fishermen and my industry was the concern about the
10 effect of seismic exploration on commercial fisheries. So,
11 therefore, we formed a separate committee called the
12 steering committee which has one member representing the
13 fishermen, myself, and then we invited members of the
14 various agencies that are involved to participate.
15 Fortunately, everyone did, including a member of the staff
16 of the State Lands Commission.

17 Ninety days ago I told you we're about to have
18 a forum which we invited fishermen, other scientists, and
19 people representing the geophysical industry and the oil
20 industry to come and present their information and their
21 evidence about the issue of concerns. The interesting
22 point -- a couple of interesting points I want to make is
23 that first of all, the funding of the joint committee
24 Liaison Office is indeed by CCOG, which are oil companies.
25 But it's interesting -- as I said, there are five fishermen

1 on that joint committee. And any decisions about policy
2 and guidelines is subject to unanimous consent of all 10
3 parties. They -- the joint committee, the fishermen
4 included, would only accept that funding under the condition
5 that it had no strings attached.

6 And, therefore, we feel like it is indeed the
7 direction and the management and policies all result from
8 negotiation with the fishermen. And as far as the effect
9 of the Liaison Office, the joint committee and the steering
10 committee, it is a bipartisan group. And I think the
11 fishermen probably would be as concerned about their being
12 concerned that there is one bent one way or the other (sic),
13 just because of funding. I'm sure they wouldn't want to
14 think that just because they were funding something that
15 it necessarily should make the findings impartial (sic).

16 But in the process to carry on with that attitude,
17 in the process of trying to evaluate just whether there is a
18 real versus a perceived concern about the effect on fish,
19 the fishermen agreed that we probably ought to bring in some
20 experts. And we negotiated a panel of scientific experts
21 who met in March to hear the testimony of different people
22 that had information about the issue.

23 We, subsequent to that committee meeting, the
24 panel's recommendations and the steering committee met and
25 has decided to issue a statement to be distributed to

1 whomever is interested. And I'd like to enter that
2 state in the record as to what we've done, the background,
3 and what we plan to do.

4 The science panel recommended, first of all, the
5 science panel stated that the information presented along
6 with the scientific knowledge they had in their background,
7 could not really answer the questions where there is any
8 significant problem, but they did feel like it needed to be
9 studied and it needed to be studied in a very deliberate
10 stepwise fashion.

11 The first thing they recommended was a field
12 study. And on the last page of the paper that you have
13 is a brief outline of the field study.

14 Now, I won't go into detail on it, but what it
15 amounts to is that we have here an excellent example
16 where my industry and the commercial fishermen have
17 voluntarily agreed to pursue a course of action because we
18 feel that this is better than unilateral action to try to
19 resolve the problems. And not only do we say that, but both
20 industries are willing to put the money where their mouth
21 is.

22 The fishermen have offered to provide five fishing
23 vessels, which will be used as scientific platforms,
24 monitoring platforms, and the geophysical industry and oil
25 companies have agreed to finance the consultant and the use

1 of an actual seismic vessel in the study.

2 It now boils down to a workup of the statement of
3 work which we just had a meeting yesterday on and concluded
4 that. And, then, of course, bring the consultant aboard,
5 and then picking a date in which this study would be done
6 and then planning which geophysical vessel or vessels to
7 put the research flag to do the study.

8 Some -- our goal is to have this study done
9 sometime in the period of August through October. And the
10 major -- the first fishery to be investigated is called
11 the rockfish fishery. The rockfish fishery will continue
12 through that time frame. And then it boils down to the
13 question of when the seismic vessels will be somewhere near
14 the area so that we can use them as opposed to, say, the
15 Gulf or Alaska, or wherever they might be.

16 I'll interject here also that this is just one
17 example, although I think it's one of the more successful
18 examples, of where two parties are conflict about abuses of
19 the same resources can sit down together and talk and work
20 out their problems without a gun being held at their head.
21 And I encourage this industry has already gone on record (sic)
22 that -- and you've heard it today as well -- that we
23 encourage that sort of approach and we're going to sit down
24 as a participant in a multiconstituent group, such as
25 we've done with the fishermen, including the people concerned

1 about whales and other organisms that are in the environment,
2 to discuss their concerns, why they feel that more studies
3 need to be done and to talk about what kind of studies, if
4 any, need to be done and how to proceed.

5 We said this before. We consider ourselves good
6 corporate citizens and we do it, obviously when we're under
7 the gun, such as happened about a year -- almost two years
8 ago -- in the so-called Fort Bragg incident where we asked
9 members of your staff and the Fish and Game to come aboard
10 our vessels so we could go out and demonstrate that we
11 didn't cause any major harm to the environment.

12 But we also did it voluntarily. And the steering
13 committee, the State Lands Commission in this report has
14 pointed out that they have encouraged the gray whale study to
15 be done and the sea otter study to be done, and rightly
16 so, because there's a tremendous amount of help
17 that came from staff in trying to get the studies done.

18 So I want to point out that the people in the
19 room at the time, including Federal agencies, State agencies,
20 and industry, that afforded the opportunity for this program,
21 this gray whale study and the sea otter study be done, was
22 because industry called them together voluntarily, not
23 because they were told to call them together.

24 And we've also voluntarily entered into studies;
25 the International Association of Geophysical Contractors has

1 worked with Texas A & M University to do studies in the
2 Gulf. We've cooperated voluntarily with studies of bowhead
3 whales in Alaska. And there was mention of concern about the
4 effect of larval fish. And although we feel like those
5 studies should be done by government; however, independently
6 there has been a proposal made to the American Petroleum
7 Institute that there be some initial study to look at that
8 concern as well.

9 So, aside from my statement -- besides the written
10 part -- we feel we are corporate good citizens when it comes
11 to being concerned about the environment and we're willing
12 to talk to the people who have some disagreement about what
13 the conclusions of the studies should be or are and so that
14 we can work out our problems with the other users of the
15 oceans. That's all I have.

16 If you don't have any questions, Dr. D.
17 Chamberlain will address more specifics about the
18 environmental concerns.

19 ACTING CHAIRMAN MC CARTER: All right.
20 Dr. Chamberlain?

21 DR. CHAMBERLAIN: Governor, members of the
22 Commission, my name is D. Chamberlain. I represent the
23 Western Oil and Gas Association. I'm a senior science
24 advisor in the corporate environmental science group,
25 Atlantic-Richfield Company in Los Angeles. I hold a

1 Ph.D. degree in marine biology from the University of
2 Southern California, Bachelor of Science degree in zoology
3 from California State University in Los Angeles.

4 For the past ten years I have been working in
5 the field of environmental conservation. I'm chairman of
6 the American Petroleum Institute Task Force on Oil Effects
7 on Salmon and Herring, a member of the Central California
8 Regional Water Quality Control Board Oceanographic
9 Technical Advisory Committee, a member of the Western Oil
10 and Gas Association Sea Otter Task Force, and the API Cold
11 Water Marine Mammal Task Force.

12 I have been asked just to very briefly summarize
13 my written statement which has been introduced. This has
14 been given in. And my -- that written presentation is
15 based on my review of the literature on the effects of
16 seismic work on fish and marine mammals.

17 There is a lot of literature. One recent
18 publication has almost 150 references which deal primarily
19 with the effects of -- not the effects, but with the area of
20 seismic noise on the behavior of whales. There are many
21 fish impact studies and the -- have been done, seismic
22 activities, seismic research has been carried on since
23 about 1942 down to the present on the effect of seismic
24 noise and seismic releases on fish.

25 Seismic operations off California do not employ

1 explosives. The seismic gear now being used off
2 California does not now -- does not harm fish or marine
3 mammals. And from my review of the literature, it's my own
4 feeling and conclusions from this that there's not
5 significant harm from the use of this equipment.

6 Mr. Bowles mentioned the API research that we
7 are proposing is before API. It has passed the first round
8 of funding approval. We hope that will begin -- appropriated
9 this year and begin soon afterward. This will look at the
10 effects of seismic energy releases on larval fishes and on
11 plankton. The idea for this was developed at least a year
12 ago. The Western Oil and Gas Association and industry
13 are committed to resolving the fish dispersal issue by
14 supporting necessary research and by working closely with
15 the fishermen Liaison Office.

16 In concluding my remarks, I'd like to read two
17 statements from reviewers of the literature which parallel
18 my feelings. All published results indicate that acoustic
19 pulse generators are not a significant hazard to fish and
20 have little or no effect on fish eggs. Acoustic pulse
21 generators used in seismic exploration are harmless to both
22 fish and marine mammals according to all results published
23 in the literature.

24 Thank you. And I will be available for questions
25 if there are any.

1 ACTING CHAIRMAN MC CARTHY: Let me just ask this
 2 question to you, if I may, Dr. Chamberlain. Do you in your
 3 written statement, which I have not read yet, do you
 4 characterize the various studies in the entire literature
 5 that you cited there as some being very influential on the
 6 thought of anyone concerned about these problems across the
 7 country? Are there two or three books among all the
 8 literature that you identify in your written statement as
 9 more important, more complete studies using modern
 10 equipment?

11 DR. CHAMBERLAIN: Yes. Yes, I do, especially
 12 the one by Bolt, Bernack and Newman. It's just recently
 13 published, I believe in October of last year. It's an
 14 excellent review of the literature, plus they did fieldwork
 15 on the gray whale off the coast here with various noise-
 16 generating sound equipment and observed the behavior
 17 of the gray whale. That is probably the most significant one.

18 There are a number of -- there are two others
 19 done by IGO, which -- and I believe the staff have most
 20 of these publications, if not all of them.

21 ACTING CHAIRMAN MC CARTHY: Yes. I just wanted
 22 your personal assessment of which of these were the most
 23 important studies.

24 DR. CHAMBERLAIN: I think the one I mentioned,
 25 the first one, by Bolt, Bernack and Newman, and then there

1 are numerous ones that I mentioned on the effects on seismic
2 noise impulses on fish.

3 There's a book on the effects of noise on fish.
4 It covers seismic noise and other things. That's a
5 significant -- based on a symposium which occurred about
6 1975. That's a good one. Then there are two good reviews
7 of the literature on the seismic effects and noise effects
8 on fish.

9 ACTING CHAIRMAN MC CARTHY: Does the literature
10 you refer to, has that been funded by different sources?
11 Obviously, in a situation like this environmental groups
12 are not inclined to trust research done by the oil industry
13 and on the other hand, the oil industry would not be
14 inclined to trust -- I'm not saying 100 percent trust -- but
15 let's just say they view a little more skeptically studies
16 that are totally funded or originated by the combatants in
17 this kind of setting.

18 The studies that you're referring to, are they
19 funded by a variety of -- and I'm not personally trying to
20 characterize their validity one way or the other. But I
21 deal in realities and perceptions of people that have
22 different points of view in a situation like this.

23 Now, those studies you're referring to, are they
24 funded by a variety of sources or a mix of sources?

25 DR. CHAMBERLAIN: Yes, they are. And I don't know

1 of any one that I cited that were funded by industry. Most
2 of them by government and academic research.

3 ACTING CHAIRMAN MC CARTHY: All right. Thank you.
4 Are there any questions by the Commissioners?

5 Thank you very much. Mr. Bowles, who's your
6 next witness?

7 MR. BOWLES: That would be Doug Barman of Texaco.

8 ACTING CHAIRMAN MC CARTHY: Mr. Barman?

9 MR. BARMAN: My name is Doug Barman. My statement
10 today is on behalf of the Western Oil and Gas Association.

11 I am a consulting exploration geophysicist in
12 Texaco's Producing-Exploration Department of the Los
13 Angeles Division.

14 I am a registered geophysicist, No. 24, and
15 Geologist No. 1893 in the State of California, having
16 served as vice-president and president of the Society of
17 Exploration Geophysicists for the Pacific Coast, including
18 Alaska.

19 In addition, I have served as president of the
20 Society of Exploration Geophysicists during 1982, represent-
21 ing over 18,000 geophysicists worldwide in over 120
22 countries. The Western Oil and Gas Association wishes to
23 thank the Commission, Dr. Claire Dedrick and her staff
24 for being given the opportunity to comment. And I thank
25 you, Commissioners.

1 From a scientific and resource management
2 viewpoint, it makes good sense to allow industry to continue
3 to explore State waters as tremendous strides in locating
4 oil and gas reservoirs are being made. We are using seismic
5 methods to look deep in the earth for oil and gas reservoirs
6 which heretofore could only be located by extensive drilling
7 programs.

8 In other words, we send waves from our acoustical
9 generators located in the back of the boat down into the
10 earth and then pick up the reflected waves with sensors
11 located in the cable behind the seismic boat. We have found
12 that very small but perceptible changes occur in the
13 amplitude of these waves, the polarity, velocity, and other
14 changes in the reflected waves when passing through oil
15 and gas reservoirs, with the greatest changes being caused
16 by gas reservoirs.

17 Now, this is a very recent phenomenon. This
18 developed in recent years to see that we can actually
19 detect changes in these waves as they go through oil and
20 gas.

21 We are able to detect these very minute changes
22 through the use of very sophisticated computers, modeling,
23 advanced interpretative techniques, and very sensitive
24 recording and detection instruments. We are using three-
25 dimensional seismic surveys involving billions of bits of

1 information in the evaluation of offshore tracts, which
2 allows us to isolate and accurately map structural folds,
3 like those anticlines you saw, that were previously hidden
4 by the effects of surrounding subsurface topography.
5 This, again, is a recent development.

6 These techniques are being used to accurately
7 locate stratigraphic traps that were previously undetected.
8 Industry's recently developed the ability to use three-D
9 surveying effectively has given birth to a new subset of
10 exploration geophysics called exploitation geophysics,
11 which because of increased accuracy, we can look for
12 previously passed over reservoirs. Now you're seeing a
13 cause and effect for going back into some of these areas
14 I wish to allude to.

15 We are experiencing some of the most rapid
16 scientific advancements in geophysical exploration history.

17 Some pundits say that we have an oil glut and we
18 should get all the oil we need from foreign sources and not
19 tap our own resources. That is, we should save our oil and
20 gas for later years.

21 Our nation has an average daily consumption of
22 more than 230 cubic feet of natural gas, approximately three
23 gallons of oil, approximately 17 pounds of coal, and more
24 than six kilowatt hours of nuclear and water-generated
25 electricity. Crude oil and natural gas supply almost 70

1 percent of that energy, but unfortunately, not all of that
2 energy comes from domestic sources.

3 The United States is forced to import more than a
4 third of the oil we use, approximately 2.1 billion barrels
5 annually from foreign sources, such as the countries in the
6 Middle East and North Africa.

7 As you know, these are highly volatile countries,
8 which for political or military reasons could abruptly
9 cut off these imports. We have had many interruptions in
10 oil exports from foreign countries, such as the 73-74 Arab
11 oil embargo and the cutoff of supplies following the
12 Iranian revolution.

13 These have seriously affected our economy, our
14 daily lives, and did damage to our country's economy. In
15 fact, of the 63 billion dollar trade deficit experienced
16 by the United States, about \$52 billion is attributable
17 to oil and gas imports. This means that about 30,000 jobs
18 are lost due to each one billion dollars in trade deficit
19 or about 1,560,000 jobs are lost annually because of
20 importing oil and gas. Let's not make it worse.

21 It normally takes about seven years to come on-
22 stream with a maximum production after the initial discovery
23 with five years needed for presales seismic exploration to
24 postsale deacquisition processing, interpretation, and
25 assimilation. So, really, a five-year permit is the

1 ideally situated (sic) for orderly exploration. If we
2 added to this already lengthy time by using artificial
3 constraints through seismic permit delays, it would mean a
4 further lengthening in developing production, greater
5 imports, a further loss of jobs, and greater dependence
6 on foreign oil and gas.

7 This affects the pocketbooks of all, as foreign
8 sources would use our reluctance to develop our own oil
9 and gas with raised prices and the threat of economic
10 blackmail to cut off supplies would always be over our heads.

11 It would exacerbate an already dangerous situation.
12 Now, how does this affect the State Lands Commission and
13 the people of California?

14 The State of California by permit stipulation can
15 acquire all of these very expensive and complex data on
16 State waters for the price of reproduction. It costs
17 industry about \$1 million per tract for these data that the
18 State of California can obtain for less than \$10,000 or
19 less than one percent of the total acquisition costs.

20 It means the State can inventory the mineral
21 wealth of California at a very nominal cost to the taxpayer.
22 Without seismic data, this cannot be done. The State will
23 benefit most by allowing all companies to survey, as the
24 greater number of seismic surveys using their own proprietary
25 methods and interpretive techniques, the greater the odds

1 are for finding production for the State to collect the
2 highest bonus and taxes.

3 It is axiomatic, the greater number of surveys
4 on any tract, the greater the chances are for finding the
5 most anomalies. Therefore, to restrict surveys reduces the
6 chances for optimal discovery of hydrocarbons and thereby
7 reduces tax revenue to the State and increases the need for
8 more drilling.

9 Without seismic surveys, offshore evaluation by
10 drilling will not take place. Therefore, I say it makes good
11 sense to do seismic surveys as there is no known scientific
12 evidence to support harm to marine life, damage to the
13 environment, or a better way of finding oil and gas
14 prospects off California.

15 Thank you.

16 ACTING CHAIRMAN MC CARTHY: Thank you very much.

17 Any questions? All right.

18 Thank you.

19 MR. BOWLES: Mr. Savit.

20 MR. SAVIT: Governor, members of the Commission,
21 I have good news. I am the last industry speaker and I
22 have no visual aids.

23 EXECUTIVE OFFICER DEDRICK: Introduce yourself,

24 Mark.

25 MR. SAVIT: My name is Mark Savit. I'm with the

1 Washington law firm of Cottondale and Doyle. I'm here
2 today representing Western Geophysical Company and also
3 the International Association of Geophysical Contractors.

4 I've been asked to make brief remarks addressing
5 specifically Calendar Items 10 and the proposed amendment
6 to Calendar Item 11 by all of the representatives here today
7 from the oil and geophysical industry.

8 Now, with regard to Calendar Item 10, I think the
9 Commission should be aware that we have worked very closely
10 with staff in the last several months and with the fishing
11 industry and other interested parties over the last several
12 years to develop a program of cooperation in terms of
13 ensuring that studies that are undertaken by -- into the
14 effects of seismic activity on the marine ecology would be
15 targeted at the areas of greatest concern. And I think the
16 staff is aware of that and I hope that the public interest
17 groups to whom we have made ourselves available and
18 especially the fishing industries are aware of that as well.

19 You've heard of the groundbreaking effort we have
20 made with regard to the Liaison Office, which is initiated
21 and funded by the industry. And I'd like to point out,
22 Governor, that at least to my understanding I've never heard
23 Dr. Fusaro described as anything less than impartial and
24 I've not heard anybody tell me that he's pro oil. Maybe
25 there's somebody that disagrees with that, but I have not

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heard it,

ACTING CHAIRMAN MC CARTHY: May Dr. Fusaro's
flag always wave.

(Laughter.)

MR. SAVIT: Congratulations. We believe that
Calendar Item 10 appears to provide a mechanism for us to
be able to continue in a process through which we can
communicate with other interested parties as to the best
application of limited research funds and the formulation
of the most effective research methods.

With regard to the amendment to Calendar Item
11, however, I would summarize our remarks by saying we are
very much opposed to it. Seismic activity, exploration
activity, has been ongoing off the California coast for
almost 40 years. During that time those lay people in the
audience I think will be struck by the fact that there are
more whales than there were 40 years ago. The population
has been increased. The fish catches have been going up.
There are other, numerous other effects, which need to be
studied with their effects on the marine environment --
El Nino and other things -- But, in fact, after 40 years
there is no noticeable effect on the environment.

Now, in the last couple of years various groups
have become very sensitive to certain questions about
whether or not seismic activity has an effect on certain

1 specific animals. In those cases we have done our very
2 best to cooperate in the planning and arrangement and
3 funding and in any other way possible in the studies that
4 have been proposed to investigate that.

5 In view of that history, I think we were all very
6 surprised to hear that the permit might now contain an
7 amendment, a condition, which would require us to
8 cooperate, quote, "cooperate adequately in the planning and
9 funding -- and perhaps funding in certain studies." We
10 have exhibited a voluntary will to do that over the last
11 years and our industry has frankly been benign to the
12 environment.

13 We believe that the amendment is onerous and
14 punitive and, in fact, might be counterproductive. We
15 think that companies that might be willing to contribute
16 funds and efforts towards studies on a voluntary basis would
17 withhold those voluntary efforts waiting to see what the
18 State might consider us to be required to do by virtue of
19 the permit.

20 I want to make sure that everybody understands
21 that none of the companies here are opposed to doing the
22 kinds of studies that are necessary to determine whether or
23 not our industry has a significant effect on marine biota.
24 We are participating in them now. We are funding them now,
25 to some extent we contribute equipment to them now, and we

1 have engaged in dialogue with all interested parties.

2 I would reiterate that we're available to discuss
3 this matter with all of the interested people, but we think
4 that the proposed amendment is certainly unnecessary and
5 could in effect be counterproductive.

6 We'd just remind the Commission that there are
7 lots of ocean users. The geophysical industry is only one
8 of them and we think that it is very much unfair that we
9 should be singled out as the only people to be have their
10 permits conditioned on our participation in the studies.
11 We don't see that happening in other ocean user industries
12 and we think it's unfair that we're singled out as the only
13 one. Available for questions.

14 ACTING CHAIRMAN MC CARTHY: Any questions?

15 Thank you very much. Mr. Bowles, did you have
16 any sum-up statements you wanted to make?

17 MR. BOWLES: No, sir. That concludes our
18 remarks. Thank you very much.

19 ACTING CHAIRMAN MC CARTHY: All right. Thank you
20 very much.

21 Incidentally, I think each member of the
22 Commission would want to commend any level of cooperation
23 that has been building. It's certainly markedly different
24 than it was 10 or 15 years ago. And I think we're heading
25 in the right direction. I think we'll all be able to say

1 if we're here on this Earth 10 years from now, that the
2 level of cooperation and communication between the various
3 parties interested in to what use our offshore areas are
4 put will find that there's yet even a greater level of
5 cooperation and a greater level of trust.

6 Do either of the Commissioners have anything to
7 add at this point?

8 COMMISSIONER ORDWAY: Is there anybody else who
9 wants to speak?

10 ACTING CHAIRMAN MC CARTHY: Oh, I'm sorry. Is
11 there anybody else who wants to speak?

12 (There was no response.)

13 ACTING CHAIRMAN MC CARTHY: Thank you. What
14 about the specific time frame?

15 MR. FABER: I read it in to 10 as part of the
16 additional recommendations.

17 ACTING CHAIRMAN MC CARTHY: All right. The
18 matter as I shall state it before the Commission for a
19 vote is Item No. 10 as Mr. Faber described it; Item No. 11
20 with an amendment. And I think I should add I was a little
21 bit alarmed by the characterization of the amendment as
22 perhaps punitive. We certainly did not want it to be seen
23 that way. To the contrary, we're very pleased with the
24 progression of conversations that are occurring among
25 the different parties. I had people of contrary interests

1 contact me over the last several weeks on this issue. We
2 were called upon to make some judgments here. One of the
3 judgments that we would want to make is based on the best
4 possible information we could get, information that would
5 be perceived as trustworthy by everyone. So we're not
6 going to assume that anyone is going to be intentionally
7 misrepresenting or coloring information. Of course we
8 don't.

9 But we know that perceptions by parties that have
10 contrary views can legitimately differ. So, our notion --
11 my notion of this after talking to parties with contrary
12 views was to try to get them to help define the studies
13 together and this is being done to some degree by what
14 Mr. Bowles described to us as the conversations between
15 some of the commercial fishing interests and some groups
16 in the industry. That's excellent. Now, we just want to
17 push that along the road. Quite frankly, what we want to
18 achieve are a couple of things. One, a common trust in
19 the information that's developed and, two, a possible
20 reduction of lawsuits that are filed by any of the parties
21 going down the line in connection with what we're trying to
22 do here. That's stated in the most forward on-the-table
23 fashion that we possibly can.

24 I'd like to ask the Chief Executive if she has
25 something she'd like to add.

1 EXECUTIVE OFFICER DEDRICK: Only that before you
2 close the record, there are a couple of other points that
3 Bob Faber and Dwight Sanders would like to raise.

4 ACTING CHAIRMAN MC CARTHY: All right. Thank you.
5 Mr. Faber?

6 MR. FABER: The only thing that I would like to
7 request in particular on ~~Calendar~~ Item 10 if it's the
8 Commission's desire, that we have both the geophysical
9 and oil industry indicate an individual who can work with
10 staff and the environmental groups indicate an individual
11 who can work with staff in putting these studies together.

12 ACTING CHAIRMAN MC CARTHY: All right.

13 MR. FABER: And then Dwight Sanders has a comment
14 on the environmental process that was raised.

15 ACTING CHAIRMAN MC CARTHY: Would you like them
16 to indicate that at this point? Or are you asking --

17 MR. FABER: If they're available to do it at this
18 point in time, it would be very useful.

19 ACTING CHAIRMAN MC CARTHY: Mr. Bowles, would you
20 help us out in that regard? Would you like to designate
21 someone who would work with the State Lands Commission
22 staff? You could obviously substitute later on if your
23 collective judgment is to do so

24 MR. BOWLES: Dr. Chamberlain, we'll volunteer
25 him to represent the Western Oil and Gas Association members.

1 (Laughter)

2 ACTING CHAIRMAN MC CARTHY: All of us who have
3 been in the Service have a sense of that volunteerism.

4 (Laughter)

5 MR. BOWLES: And I'm a subject to the draft as
6 well to represent the International Association of
7 Geophysical Contractors.

8 ACTING CHAIRMAN MC CARTHY: All right. Thank you.
9 On the environmentalist side, Miss LeFever, are
10 you in a position to designate someone today to -- and I
11 appreciate there's several separate interests on the
12 environmental side and the commercial fishing side. So, do
13 you want to give a preliminary indication today of someone
14 you might designate to participate with the State Lands
15 Commission staff?

16 MS. LE FEVER: Yeah.

17 ACTING CHAIRMAN MC CARTHY: To try to bring this
18 forward in a very agreeable fashion?

19 MS. LE FEVER: Yeah. I've already spoken to the
20 staff about myself being the person for the environmentalists.

21 MR. FABER: Thank you very much.

22 ACTING CHAIRMAN MC CARTHY: All right. Thank you.

23 EXECUTIVE OFFICER DEDRICK: What about fishing
24 interests?

25 ACTING CHAIRMAN MC CARTHY: Are the commercial

fishing interests represented here today? All right.

2 UNIDENTIFIED SPEAKER: I think Doug Knapp would
3 be the person to choose to represent the fishing industry.

4 MR. FABER: That would be fine.

5 ACTING CHAIRMAN MC CARTHY: All right. Mr.
6 Doug Knapp. He's testified before us. All right.

7 EXECUTIVE OFFICER DEDRICK: Yes.

8 ACTING CHAIRMAN MC CARTHY: Mr. Faber, any other
9 comments?

10 MR. FABER: Yes, Mr. Sanders.

11 ACTING CHAIRMAN MC CARTHY: Mr. Sanders, I'll call
12 upon you.

13 MR. SANDERS: Thank you, Governor. I think there
14 are two points that need to be addressed that were raised
15 by representatives of the Environmental Defense Center and
16 Fishermens Protection Institute, particularly as they
17 related to matters before the Commission, specifically the
18 adoption of the negative declaration.

19 The disagreement that EDC spoke of in staff's
20 review of the evidence on the record is not over the
21 potential or substantial impacts but rather the dearth
22 of information that is available and the necessity to
23 require more information on such matters. That is the
24 point of Calendar Item 10. The second item, public
25 controversy, public controversy is not based on substantial

1 data or information. It is not, in the staff's opinion,
2 sufficient to trigger a requirement for the preparation
3 of an EIR. The staff has available to it no evidence to
4 indicate that this is a serious public controversy. And
5 those are the two matters that I wished to clarify for the
6 Commissioners' consideration.

7 ACTING CHAIRMAN MC CARTHY: I think the Commission
8 is prepared to act at this point. Do I have a motion?

9 MS. ORWAY: Motion to move Item 10.

10 ACTING CHAIRMAN MC CARTHY: It's moved.

11 MR. JERVIS: Second.

12 ACTING CHAIRMAN MC CARTHY: Thank you. Seconded.

13 Without dissent, that is unanimous. Is there a motion on
14 No. 11?

15 MS. ORWAY: Motion to move Item 11.

16 MR. JERVIS: Second.

17 ACTING CHAIRMAN MC CARTHY: Item 11 is moved,
18 seconded. Without dissent, Item 11 as amended is approved.

19 MS. ORWAY: And 10 is amended.

20 ACTING CHAIRMAN MC CARTHY: And 10 as amended
21 is approved. Thank you very much.

22 We're going to have a one-minute recess. For
23 those of you who are connected with Items 10 and 11, you may
24 kindly and quietly leave the committee room, and we can
25 proceed with the rest of our calendar. Thank you very much.

(Thereupon a brief recess was taken.)

1
2 ACTING CHAIRMAN MC CARTHY: Ladies and gentlemen
3 in the audience, I think the only other item that may take
4 some time is Item 17, 14, 15, and 17. What we'll try to
5 do is get to the items that are going to be noncontroversial
6 and the few people that are going to intend to testify are
7 here to watch that. Let's see if we can move by that.

8 EXECUTIVE OFFICER DEDRICK: We'll begin with
9 Item 12, Mr. Chairman.

10 ACTING CHAIRMAN MC CARTHY: All right. Item No.
11 12.

12 EXECUTIVE OFFICER DEDRICK: It's an approval of a
13 geological survey permit for Chevron USA.

14 ACTING CHAIRMAN MC CARTHY: Any questions?
15 All right. Approved as recommended.

16 13?

17 EXECUTIVE OFFICER DEDRICK: Approval of a
18 geophysical turning permit for Chevron USA.

19 ACTING CHAIRMAN MC CARTHY: Any questions?
20 Approved as recommended. And then we're going to skip over
21 to No. 16.

22 MR. TROUT: Mr. Chairman, No. 16 is the approval
23 of the City of Redondo Beach's request to reimburse itself
24 from grant funds for city funds expended on behalf of the
25 tideland trust. And we recommend your approval.

1 ACTING CHAIRMAN MC CARTHY: All right.

2 MR. TROUT: It includes the requirement for a
3 staff audit which will occur sometime during the next
4 two years.

5 ACTING CHAIRMAN MC CARTHY: Any questions?
6 All right. That's approved as recommended.

7 17.

8 MR. TROUT: Mr. Chairman, Item 17 is a denial of
9 application of the City of Avalon without prejudice. The
10 staff of the city and the State have not quite come to
11 terms on the provisions of the lease. We'll be meeting
12 with the city manager on the 7th of June and it's the
13 provisions of AB 884 that requires to take this action
14 at this time.

15 ACTING CHAIRMAN MC CARTHY: Any questions?
16 Approved as recommended. No. 18.

17 MR. TROUT: Mr. Chairman, you can consider 18, 19,
18 and 20 together if you wish. They're the sales of timber
19 from State school lands over -- for this current timber
20 season. No. 18 is about \$60,000 over minimum bid. We
21 think we got a good set of bids. Items 19 and 20 are at the
22 minimum bid and we only had one bidder each. We recommend
23 these three items be approved.

24 ACTING CHAIRMAN MC CARTHY: Any questions?
25 Approved as recommended, 21 is off calendar. 22.

1 MR. HIGHT: Prospecting permit for gold and silver
2 to American Colloid Company.

3 ACTING CHAIRMAN MC CARTHY: Any questions?
4 Approved as recommended. 23.

5 EXECUTIVE OFFICER DEDRICK: This is a negotiated
6 subsurface oil and gas lease under the Tule Elk Reserve
7 for the Quintana Oil Company.

8 ACTING CHAIRMAN MC CARTHY: Any questions?
9 Approved as recommended. 24.

10 EXECUTIVE OFFICER DEDRICK: 24 is the deferment of
11 drilling obligation for Shell Western.

12 ACTING CHAIRMAN MC CARTHY: Any questions?
13 Approved as recommended.

14 EXECUTIVE OFFICER DEDRICK: 25 is the extension of
15 initial drilling term on a State oil and gas lease in
16 San Joaquin County for Lowell Garrison.

17 ACTING CHAIRMAN MC CARTHY: Any questions?
18 Approved as recommended. 26.

19 EXECUTIVE OFFICER DEDRICK: Assignment of a
20 partial interest in State Oil and Gas lease No. 145,1,
21 OXTEX to Seahawk.

22 ACTING CHAIRMAN MC CARTHY: Any questions?
23 Approved as recommended. 27.

24 MR. TAYLOR: The authorization to settle the
25 litigation between the State of California and The Jonathan

1 Club at Santa Monica Beach and to resolve the ownership
2 interests of the respective parties. This action is
3 recommended by the office of the Attorney General and is
4 without prejudice and is expressly understood with the
5 Jonathan Club without any prejudice to any discussions
6 or problems or anything else that might happen with regards
7 to the policies of their membership.

8 ACTING CHAIRMAN MC CARTHY: Anybody here in the
9 audience representing the Jonathan Club?

10 Okay. I stated some views privately that I would
11 like to state publicly. And that is that I appreciate that
12 the thrust of this agreement is to resolve a long-pending
13 boundary dispute for the very worthwhile public purpose of
14 freeing up some beach area for use by people in this area
15 of the California coast. On the other hand, part of this
16 settlement involves a removal of the antidiscrimination
17 provisions that are normally within this kind of a lease,
18 which are intended to execute State policy against discrim-
19 ination by any entity doing business with State government
20 on the basis of race, religion, or sex. It is a Hobson's
21 choice. And I am asking not to be put in this position
22 again as one member of this Commission to make two choices
23 between competing public policies, The Jonathan Club or
24 any other similar group.

25 I appreciate the complexity of the issue that we

1 face. I just do not wish to be put in this position
2 again. Thank you.

3 Now, any other Commissioners have any comments?

4 MS. ORDWAY: Just a question. This is an agreement
5 which was approved by the Attorney General?

6 MR. TAYLOR: Yes. And I was going to make that --
7 the Office of the Attorney General, the Attorney General
8 personally has reviewed this and we recommended, in light
9 of the long-standing controversy, and the fact that we
10 don't believe and it's understood by the parties whether
11 that clause is in there or not, they're required to comply
12 with the law is not affected by either the inclusion or
13 exclusion of this item from the lease. And that's been
14 made clear to the Jonathan Club. The same statement, Mr.
15 Chairman, was also made by the City of Santa Monica after
16 they approved it by their membership.

17 ACTING CHAIRMAN MC CARTHY: Any other comments or
18 questions by the Commissioners?

19 Approved as recommended. No. 28.

20 MR. HIGHT: 28, Mr. Chairman, is a settlement
21 of the compromise title agreement with the City of Hayward,
22 \$20,000 will go into the Land Bank Fund.

23 EXECUTIVE OFFICER DEDRICK: Solely in this
24 instance, Commissioners, you are acting also as Land Bank
25 trustees.

1 ACTING CHAIRMAN MC CARTHY: Any questions?

2 Approved as recommended. 29.

3 MR. HIGHT: 29, Mr. Chairman, is a request to
4 settle a Federal quiet title condemnation statute on the
5 Stanislaus River.

6 EXECUTIVE OFFICER DEDRICK: This is under New
7 Melones Dam, under New Melones Reservoir, excuse me.

8 MR. TAYLOR: The effect of the settlement is to
9 revest the State with title to all of the currently wet areas
10 and that we will disclaim any interest in the dry areas
11 of the riverbed. It will help clarify the title problems
12 the State has always in determining where its boundaries
13 are. So, from that standpoint, it will be helpful.

14 ACTING CHAIRMAN MC CARTHY: Any questions?

15 Approved as recommended. Item 30.

16 MR. HIGHT: 30 is the approval of retrocession
17 of partial jurisdiction and the establishment of concurrent
18 jurisdiction at Carroll Canyon Navy family housing area
19 in San Diego County. It will allow the Federal police as
20 well as local police to have jurisdiction in that area.

21 ACTING CHAIRMAN MC CARTHY: Any questions?

22 Approved as recommended.

23 Let's turn back to No. 14.

24 And I have expressing a desire to discuss this
25 issue Mr. Jack Chalabian and Mr. Robert Holland, representing

1 KTJ Properties, Inc.; Mr. Richard Harlow, representing
2 the Molo Development Corporation, and Mr. James Palin --
3 that's No. 15.

4 EXECUTIVE OFFICER DEDRICK: Mr. Chairman --

5 ACTING CHAIRMAN MC CARTHY: I'd first like to ask
6 our staff for a report on on the issue.

7 EXECUTIVE OFFICER DEDRICK: I'm sorry. I
8 anticipated you. Lance Kiley is chief of the lands
9 division and will present the issue.

10 MR. KILEY: Mr. Chairman, this is a long-standing
11 item that's had kind of a complex history with the Commission.

12 KTJ took out a lease from the State Lands
13 Commission or had a lease approved by the Commission about
14 seven years ago that required them to develop our property
15 in conjunction with another parcel that's adjacent to it in
16 the City of Huntington Beach.

17 For various reasons they were unable to do that.
18 One of the reasons that they cite is that the fact that the
19 zoning was changed from commercial to residential during the
20 process of development. Another is the fact that hard
21 economic times in the housing industry during that period
22 of time.

23 In any event, they were unable to perform under
24 the lease and they also lost title to the upland property
25 in a foreclosure by the Crocker Bank. During their course

1 of ownership there were some attempted assignments made
2 of the leasehold, one of which was to Crocker Bank which
3 was foreclosed upon by Crocker Bank, at least on paper, and
4 the situation has increasingly complex and staff
5 believes that the course of action for the Commission
6 is just to terminate the lease and start from scratch.

7 ACTING CHAIRMAN MC CARTHY: Have you finished your
8 testimony?

9 MR. KILEY: Yes.

10 ACTING CHAIRMAN MC CARTHY: All right. Are
11 there any other staff testimony? Mr. Kiley's finished.
12 Any other staff testimony?

13 EXECUTIVE OFFICER DEDRICK: I don't believe so,
14 sir, not at this time.

15 ACTING CHAIRMAN MC CARTHY: All right.
16 Mr. Chalabian? Mr. Holland, you're certainly welcome to come
17 up together?

18 MR. HOLLAND: Mr. Chairman and members of the
19 Commission, my name is Robert B. Holland. I'm an attorney
20 in Orange. I am here primarily as a principal in KTJ
21 Properties and Mr. Chalabian is a principal in the company,
22 and Mr. Ashby, who is in the audience, is a principal in the
23 company.

24 Our purpose in being here is to endeavor to
25 persuade the Commission to take action contrary to that

1 recommended by the staff. Incidentally, the -- as the
 2 Commission knows, the lease in question is in the main
 3 channel of Huntington Harbour and the three of us who are
 4 principals in KTJ are residents of Huntington Harbour and
 5 that's one of the reasons that we are here asking that the
 6 lease to KTJ be reinstated.

7 In the report from the staff to the Commission
 8 that we've received a copy of, the staff indicates that
 9 there are two primary reasons why the staff recommends
 10 termination of the lease. The first is failure to construct
 11 improvements by KTJ by July 1st, 1981 and the resulting loss
 12 of rental income to the Commission. We admit that that
 13 occurred and that the Commission has been deprived of rental
 14 income as a result of.

15 Mr. Chalabian will address some of the series of
 16 events which resulted in the noninstallation of the docks.
 17 We can't unring that bell, but we can suggest and have
 18 submitted to the staff is that if the lease were reinstated,
 19 we would offer to pay at this time the sum of money which
 20 from a staff letter of a year or so ago appears to be around
 21 \$10,206. It would be either the exact amount or a substantial
 22 amount of the rent which would have been realized by the
 23 Commission had the docks been installed when they were
 24 supposed to have been installed almost three years ago.

25 In addition, for such reinstatement, we would also

1 offer to pay additional rent at that same rate until the
2 docks are constructed.

3 And, of course, after the docks are constructed,
4 there would be rental income. There wouldn't be any until
5 then and we would certainly agree to pay a higher rent
6 at that time.

7 The second point raised by the staff in its
8 report is the loss of ownership of littoral land by KTJ.
9 Again, that did occur. No question about that. Incidentally,
10 Mr. Wiley made reference to the fact that the lease in
11 question was assigned to Crocker Bank. That's not
12 technically correct. What did occur is that KTJ transferred
13 its interest in the littoral land to a limited partnership
14 and on the deed by which the land was conveyed there was a
15 description of the submerged lands that is the subject of
16 the lease. That same description was carried onto a trust
17 deed, which the limited partnership of which KTJ was a
18 limited partner, that same legal description of the sub-
19 merged land was on the deed -- pardon me, the trust deed.
20 And seven days -- on December 28th, 1982, seven days after
21 that limited partnership obtained approval from the City of
22 Huntington Beach in the form of a tentative tract map
23 approval and a conditional use permit, which occurred on
24 December 21st, 1982, seven days later Crocker Bank instituted
25 foreclosure by the recordation of a notice of default.

1 I believe it is correct that Crocker Bank contended
2 during the period that it had ownership of the littoral
3 land, which I think occurred about May 18th or last -- of
4 1983 until on or about May 14th of this year when we believe
5 it transferred title to the littoral land to Mol^a Development
6 Company. It is our understanding that Crocker Bank contends
7 it became the owner of the lease by virtue of the foreclosure.

8 However, the lease with the Commission provided
9 very specifically that, one, you cannot transfer title to
10 the lease without the consent of the Executive Officer,
11 which was not given so far as the transfer to the -- the
12 purported transfer to the limited partnership is concerned.

13 The lease further provides that no encumbrancing of the
14 lease may occur without the consent of the Executive
15 Officer, without the execution by the encumbrancer of the
16 security -- the secured party lender's agreement. That
17 didn't occur with reference to the Crocker Bank trust deed
18 either.

19 The lease further provides that the Commission
20 in its discretion declare any such purported transfer and/or
21 any such purported encumbrance void or voidable; based on
22 the facts of this particular situation, our request is the
23 Commission declare the purported transfer to the
24 Warmington partnership void and the purported encumbrancing
25 to the Crocker Bank void.

1 Insófar as -- getting back to the loss of
2 ownership of the littoral land, --

3 MS. ORDWAY: Excuse me. (May I interrupt? Would
4 you go through that one more time? I'm not sure that I'm
5 tracking.

6 MR. HOLLAND: Yes, ma'am.

7 MS. ORDWAY: Your request is to ask for what
8 specifically be voided and why?

9 MR. HOLLAND: The purported transfer of title
10 to the lease to the limited partnership because it was --
11 there was no consent of the Executive Officer of the
12 Commission to such a transfer. As a matter of fact, the
13 limited partnership was in the process of seeking that
14 consent at the time that the foreclosure took place and
15 many times a document that, if executed, would have granted
16 that permission, went back and forth in the mails, but it
17 was never docu-- it was never executed because the foreclosure
18 took place in the interim. That's the first request.

19 The second is that the purported encumbrancing
20 of the lease also be declared void because that was not
21 done with the consent of the Executive Officer and I think
22 also without the knowledge of the Executive Officer,
23 although the Executive Officer and/or her staff certainly
24 knew that there was -- there were negotiations by the
25 limited partnership to try to obtain the consent of the

1 Commission. But the Executive Officer not only did not
2 approve of the encumbrancing of the lease by Crocker Bank
3 nor did it -- nor did the Executive Officer obtain from
4 Crocker Bank the secured party lender agreement, both of
5 which are required under the lease.

6 MR. JERVIS: Is it your contention that the
7 lease has never been transferred?

8 MR. HOLLAND: That the lease -- there's a little
9 more complexity that I haven't mentioned. The lease was
10 assigned at an early point to Imperial Bank, Mr. Chalabian
11 advises me, with the consent of the Executive Officer.
12 That was -- incidentally, that's a proper way to assign a
13 lease, by assignment. You don't attach to a grant deed the
14 legal description of the lease and say you have transferred
15 the lease. This isn't the way it's done legally.

16 That assignment to Imperial Bank I believe was
17 done with staff approval, was never reassigned by Imperial
18 Bank until November of 1983.

19 MS. ORDWAY: When was it assigned to Imperial
20 Bank?

21 MR. HOLLAND: At the time of the acquisition,
22 almost concurrent with the acquisition of the property by --
23 and the lease by KTJ, I believe.

24 MS. ORDWAY: Could you tell me about when that was?

25 MR. CHALABIAN: July 30th, 1980. There was a

1 letter from State Lands to --

2 MS. ORWAY: So that would have been during the
3 second extension period? Is that correct?

4 MR. CHALABIAN: That's correct.

5 MR. HOLLAND: Mr. Jervis, have I answered your
6 question or was there more?

7 The ownership of the littoral land by the limited
8 partnership of which KTJ was a limited partner did occur by
9 the foreclosure sale that occurred on or about May 18,
10 1983. And, again, we can't unring that bell. Staff, in
11 its report, indicates that that's the reason to terminate
12 the lease.

13 Incidentally, staff also indicates in their
14 report that they -- that KTJ is unable to successfully
15 complete the development. We don't know the basis for that
16 conclusion, because staff has never advised us. But we
17 think perhaps one of the reasons is that there has been
18 some difficulty in negotiations with the City of Huntington
19 Beach as to the ultimate granting of permit or permits to
20 build docks insofar as the parking problem is concerned.

21 As a matter of fact, a representative of the
22 City of Huntington Beach told the Commission staff on
23 December 7th, 1983, last year, that a permit would never be
24 issued KTJ because it didn't own the littoral land. That,
25 of course, is an incorrect statement. It was at the time.

1 It may have been misinterpreted. But we submitted in a
2 package that was delivered to you earlier this week and
3 an attached letter, a letter dated March 22nd of this year
4 from the administrator of the City of Huntington Beach who
5 confirms in that letter that docks can be installed by a
6 nonowner of the littoral land who meets the parking and
7 other requirements.

8 In that same connection, insofar as parking is
9 concerned, on April 3rd, 1979, a reciprocal parking
10 agreement was entered into by KTJ's predecessor in title
11 and the City of Huntington Beach and that covered the
12 property at which I believe is the subject of Item 15 on
13 your agenda today.

14 In that reciprocal parking agreement which was
15 executed at a time when it was proposed that KTJ develop
16 the littoral land as a commercial development in that
17 reciprocal parking agreement, reference was made to the
18 fact that parking in that area covered by the reciprocal
19 parking agreement should be made available to the users
20 of the commercial development. And the commercial
21 development included the docks. So, even though -- and
22 incidentally, Exhibits F and G in the packet that were
23 delivered to you are memoranda from the Commission which
24 indicates that it was the intent of the Commission that
25 parking in the area covered by the reciprocal parking

1 agreement be made available to the users of the beach,
2 reference to which I'll make in a moment, the park, and
3 the commercial development. And, as I say, the commercial
4 development included docks. And also in the packet that was
5 delivered to you there's some reference to docks in the
6 permit that was -- the approval that was granted by the
7 Coastal Commission and the approval, both of them being
8 of the commercial development, by the City of Huntington
9 Beach.

10 I alluded to the fact we'd had some difficulty
11 with the City of Huntington Beach insofar as parking is
12 concerned. The city has recently taken the position that
13 that reciprocal parking agreement and its provisions as to
14 parking wasn't available to KTJ were KTJ to install docks
15 in the main channel. That may or may not be the permanent
16 position of the city, but that's a problem we've had with
17 them.

18 And we couldn't understand that until finally
19 we ascertained that on the 15th of March of this year the
20 city wrote a letter to the Commission seeking the granting
21 of a lease to the -- of the submerged land in the main
22 channel and the Bolsa Chica Channel. So, perhaps there's
23 a conflict of interest there that the city has had.
24 Nevertheless, we think that the parking problem can be
25 resolved. Number one, we proposed that the docks, if

1 installed, and we were the developer of them, would be
2 available exclusively for the occupiers of the littoral
3 land, i.e. residents in the development developed by the
4 present owner.

5 MS. ORDWAY: Excuse me. They would or they would
6 not?

7 MR. HOLLAND: Would exclusively.

8 MS. ORDWAY: So, all docks, there would be no
9 public access?

10 MR. HOLLAND: Public access is another point.

11 MS. ORDWAY: There'd be no public use of any
12 of the docks?

13 MR. HOLLAND: We think there would only be 40 of
14 them. And the development is for, as approved by the
15 city on the 19th of September last year, is for 77 units.
16 Our calculations are we could only construct 40 docks,
17 assuming solution of another problem which I haven't
18 referred to yet, the egress problem.

19 The city's requirement for parking for docks that
20 would be used by adjacent property owners is less
21 stringent, fairly easy to comply with, because they have
22 those owners of residences on the littoral land have
23 garages or places to park, so the city's attitude is, well,
24 if the docks are used for those people, then, you don't have
25 a stringent parking requirement. But if you propose to have

1 the docks available to the public and for nonresidents
2 of the littoral land, then the city says you have to have
3 .75 parking spaces for each dock that is to be used in such
4 a manner.

5 Well, again, that's a problem we haven't worked
6 out with the city.

7 MS. ORDWAY: How many parking spots are you
8 looking at?

9 MR. HOLLAND: Well, I'm not sure how to answer
10 that. The -- if there were .75 -- if all of those 40
11 docks were available only to --

12 MS. ORDWAY: Tell me how much parking? What are
13 you looking at for public parking?

14 MR. HOLLAND: If all of those docks were used only
15 by the public, then under the city ordinance you'd need
16 30 parking stalls. .75 for each one. For each dock.

17 MS. ORDWAY: You were talking about talking. I'm
18 getting very confused.

19 I started this confused, so, I haven't moved
20 anyplace. You referred to parking. How much parking is
21 in your proposal aside -- don't talk to me about docks
22 right now. How much parking for the public is in your
23 proposal, is in your plan, or you are anticipating building?

24 MR. HOLLAND: The only --

25 MR. LABIAN: We'll show her.

1 MR. HOLLAND: All right. The only proposal
2 we're making is with reference to the installation of
3 docks.

4 MS. ORDWAY: You have no involvement in parking
5 at all?

6 MR. HOLLAND: We don't own the littoral land.

7 MS. ORDWAY: Okay.

8 MR. HOLLAND: We're not the proposed developer of
9 the littoral land, of the adjacent land.

10 MS. ORDWAY: Okay. So that it would be impossible
11 for you to develop docks for any use other than the
12 residents of the property. Is that correct?

13 MR. HOLLAND: It would not be impossible, but
14 at the present time the city's position is we don't believe
15 that you have a right to use the parking area and the
16 reciprocal parking area. Our interpretation of that position
17 is different. We think that that reciprocal parking
18 agreement was intended by the Commission to be used by
19 users of the commercial development and that commercial
20 development back in 1979 included docks.

21 We may be able to enter into an agreement with the
22 owner of the littoral land to provide parking on the
23 littoral land. If the docks were used only by residents
24 of the littoral land, they have their own parking. The
25 parking problem we think can be worked out. We're willing

1 to accept that challenge.

2 ACTING CHAIRMAN MC CARTHY: Why don't you go
3 ahead?

4 MR. HOLLAND: There is a precedent in the City of
5 Huntington Beach for the development -- where's the --
6 for the development of docks by a firm that does not own the
7 land (indicating on map). It's the development directly
8 across this main channel. It couldn't be more apropos as
9 an example or illustration and in that particular case
10 the developer of 244 condos owned the land but did not own
11 the rights to install the docks. The docks were installed
12 by another firm. That firm granted a first right of
13 refusal to the owners of the condos. And except for a
14 parking problem that has developed over in that area, which
15 is a different problem, because they have a commercial
16 marina over there, there hasn't been any problem with the
17 development of docks by a nonowner of the littoral land.

18 And under the Section 2000(c) of the Administrative
19 Code, the Commission is given its discretion to grant a
20 lease. -- This is a proposed reinstatement of a lease that is
21 in default. This is not a proposal to grant a new lease --
22 to the best qualified applicant irrespective of littoral
23 status. In other words, that Administrative Code section
24 says to us that the lessee or the lease of submerged land
25 need not be the owner of the adjacent land if in the

1 discretion of the Commission that a nonowner of the littoral
2 land is the best qualified applicant.

3 It is KTJ's contention that it is the best
4 qualified applicant because of the long association with
5 the overall development of Mr. Chalabian who has practically
6 lived with it for six years. He is, as indicated, a
7 principal in KTJ. His firm is licensed as a general
8 contractor. He has built homes and had docks built in the
9 harbor. The three principals of KTJ all reside in the harbor
10 and are not interested in that which the usual developer
11 does. And I'm not pointing a finger at the Mola firm.
12 But the usual developer comes in and develops land, sells
13 what's there, and moves on.

14 We're interested in being the developers and
15 owners and operators of those docks for the period of time
16 of the lease.

17 Insofar as the alleged inability of the -- of
18 KTJ to complete the development, I've alluded to the fact
19 that we don't know what was in the minds of the staff
20 in making that conclusion. It may have been the parking
21 problem. It may have also been in the minds of the staff
22 an access problem. The tentative map that is now on the
23 littoral land which was approved by the city on the 19th
24 of September last year, and to my knowledge it hasn't been
25 changed, excluded any public walkway around it. However,

1 on the 13th of January of this year the Coastal Commission
2 in its approval of the concept of the development mandated
3 that there be a public walk around the property. That walk
4 would be along the bulkhead wall along the main channel
5 and it's our position that that would give access to the
6 docks over that public walkway. In other words, you need
7 ramps to get from this level down to the docks and it's
8 our position that the ramps could be from that public walkway
9 down to the docks. And we think that there would be
10 adequate access.

11 KTJ -- on the subject of equity -- KTJ has
12 expended \$1,502,000 to this point on this overall project.
13 KTJ paid for the property which was conveyed by KTJ's
14 predecessor to the City of Huntington Beach for a beach.
15 KTJ paid for an area that was conveyed to the City of
16 Huntington Beach for a park. KTJ paid for the
17 development of that park, that beach in the area and the
18 park now owned by the city cost the city initially nothing.

19 In addition, there is a street running down
20 to the littoral land, KTJ paid for the improvement of that
21 street, paid for stormdrains, paid for underground
22 utilities. Since the property has been lost through the
23 foreclosure, there's only one way that KTJ could hope by
24 any stretch of the imagination to recoup any of that million
25 and a half dollar investment, and that's if you were to

1 permit KTU to install the docks by reinstatement of the
2 lease.

3 I've made reference to the problems we've had with
4 the city, which we think we can work out. There's another
5 problem that we also have already worked out. In its
6 approval on January 13th, the Coastal Commission mandated
7 that there could be no docks, no permit issued by the
8 Coastal Commission to install docks until the eelgrass
9 problem is resolved to the satisfaction of the Executive
10 Officer of the Coastal Commission.

11 When we got deeply involved into that problem,
12 we found out that from three advisory agencies -- the
13 California Department of Fish and Game, the U.S. National
14 Marine Service, and the U.S. Fish and Wildlife Service --
15 that right off of the bulkhead wall at only this location
16 in Huntington Harbour, there is an eelgrass bed which is
17 a habitat which is favorable for marine life is the only
18 one in the harbor. And those advisory organizations, of
19 course, want an eelgrass bed preserved in the harbor for
20 the marine life.

21 The average width of the eelgrass bed is six feet.
22 It doesn't start until about 10 feet out from the wall.
23 And at the present time if one were to try to avoid that
24 eelgrass and put docks there, which is mandated by the
25 Coastal Commission -- in other words, you can't do it until

1 you respect that, docks would have to be installed so that
2 the edge closest to the eelgrass bed would be 30 feet
3 beyond the eelgrass bed and the bottom line is that you
4 can't install docks in that area. You just can't do it
5 presently.

6 We worked out a solution, what those agencies
7 call a mitigation measure. They would -- by the proposed
8 agreement that we worked out with them at an estimated cost
9 of \$22,000, they would plant eelgrass in another location
10 and they would then let our firm, if we were permitted by
11 this Commission, to install docks in that area, even though
12 eelgrass is there. Because, in their opinion, they would
13 have substitute eelgrass elsewhere and that would satisfy
14 their needs. Many, many hours of work were involved in
15 arriving at that solution and, as I indicated, without that
16 solution nobody's going to build any docks there.

17 The staff alluded to the fact that they don't
18 believe KTJ has the ability to build the docks, but yet
19 we submitted to the staff a commitment for financing of the
20 docks, a commitment that we will post a performance bond
21 for the construction of the docks, a commitment that we
22 would not transfer the lease to any homeowner's association,
23 which we understand if that were to occur, the Commission
24 would be deprived of the income. We also made a commitment
25 that we'd construct the docks within six months after

1 obtaining necessary permits. We estimated that we would
2 need eight months to obtain the permits. We would apply
3 for them simultaneously everywhere, but you can't apply to
4 the city concurrently or simultaneously. You have to get
5 your other permits and go to the city. We offered to pay
6 increased rent as indicated, and we think we have the
7 ability to do it. We're interested in it. We admit the
8 defaults have occurred. We've tried to explain those, but
9 we think that KTJ is the best qualified applicant and we
10 ask your favorable consideration to our request.

11 ACTING CHAIRMAN MC CARTHY: Thank you. Does that
12 sum up your testimony?

13 MR. HOLLAND: It sums up mine.

14 Mr. Chalabian might --

15 EXECUTIVE OFFICER DEDRICK: Before we begin,
16 the court reporter has asked for a few minutes to rest her
17 fingers.

18 ACTING CHAIRMAN MC CARTHY: All right. We'll
19 recess for 90 seconds.

20 (Laughter.)

21 (Thereupon a short recess was taken.)

22 ACTING CHAIRMAN MC CARTHY: Mr. Chalabian, would
23 you like to testify?

24 MR. CHALABIAN: Thank you, Governor. I'd like
25 to give a brief chronological schedule of some significant

1 events that took place concerning this piece of property
2 and possibly open up some of the light as to what happened
3 and why.

4 The first item we have in our packet is Exhibit
5 A, which is resolution of approval and permit to Harbor
6 Pacific Limited where they were going to construct, had a
7 development of 136 condominiums, townhouses, boat slips,
8 and a 50,000 foot tourist oriented facility. And this was
9 corrected and approved in 1976.

10 On page 3 of this it talks about a 3.9 acre park.
11 It talks about there should be a public access corridor
12 to be constructed along the entire channel side of the
13 development to be in the form of a gangway adjacent to the
14 bulkhead and said public walkway should be opened during
15 daylight hours.

16 And there would be no occupancy of the last 40
17 condominiums unless the commercial portion of the project
18 had been substantially completed. The project that we're
19 talking about is this project here (indicating on map);
20 the condominiums are behind it. And this picture was taken
21 in 1980 by BTM in January of 1980. And we're talking about
22 in 1976. At that time, this was just almost marshland.
23 It looked similar to this over here. It hadn't been
24 dredged, it hadn't been compacted, it was nothing like
25 what you see here in this picture.

1 The second major event took place, as in Exhibit
2 B, was where Huntington Harbor Limited approached myself
3 and asked me if I was interested in purchasing the property
4 and I stated only if we could change it to be 105,000
5 square feet of commercial facility with public esplanade
6 and perimeter parking, and guest docking facilities.

7 In 1978, July 12th, with the Board of Zoning
8 Adjustments, the City of Huntington Beach, I took out a use
9 permit for 85,900 square foot complex and the date of that
10 approval was July 12th, 1978. And one of the conditions for
11 the approval was that prior to the issuance of building
12 permits certain things had to take place. One item was a
13 tentative parcel map that segregated the commercial
14 property from the park and beach and that they should be
15 submitted to the city for recordation prior to issuance of
16 building permits. So, therefore --

17 ACTING CHAIRMAN MC CARTHY: May I interrupt?
18 I want to -- let me just mention something. I have a 2:30
19 airplane. I know that each of the parties considers this
20 matter extremely important to them. I'm trying to figure
21 out how to be fair. I'm unfortunately in a situation where
22 I cannot cancel the 2:30 airplane. I would respectfully
23 ask you to be as succinct as you can so we can hear from
24 Mr. Mola and the city, otherwise, I'm just not going to be
25 able to vote on this at all one way or the other. Thank

1 you.

2 MR. CHALABIAN: Okay. Governor, just two things
3 and I'll cut it off. I'll go through just two small things.

4 We took out the building permits to build a
5 commercial facility. We had permits with the city in order
6 to build the docks. These permits were paid for and we
7 were ready to start construction. We had our financing.

8 The project was changed and numerous circumstances
9 caused us not to build the project. KTJ Properties entered
10 into a joint venture agreement; never, as far as we were
11 concerned, did we transfer the water rights of that -- that
12 we held at any time to Crocker Bank nor to the Robert P.
13 Warmington Company.

14 We had --

15 ACTING CHAIRMAN MC CARTHY: Let me see if I can
16 put a question to you and to any others who intend to
17 testify. This Commission sits trying to analyze how that
18 broad general public out there is going to benefit from
19 its judgments in making public trust decisions over this
20 shoreline area we're discussing.

21 We do not sit as a city planning commission; we
22 do not sit as an appellate court. While the information
23 that I hear leads me to believe that this party -- and other
24 situations -- this party or another party has equity; that
25 is, they may be getting short shrift in a flow of events.

1 We cannot reconstruct all of the complicated facts
2 of a series of transactions that have run back over several
3 years. What I need to hear is how does the State of
4 California benefit from making a judgment you, or any of the
5 parties that follow you, are asking us to make at this
6 hearing? How does the State of California, how do the
7 people of California benefit?

8 Then, secondly, I must try to look to see what the
9 local government's attitude is, whether they stand on
10 rational ground, and finally, even though we're not asked
11 to do this by law, are there equities in the positions
12 of the private parties? But the first question, the first
13 point, the first ground is dominant. Now, why am I going
14 to make a decision for you or for Mr. Mola, or for the City
15 of Huntington Beach -- whatever their position is -- so as
16 to benefit the State of California? That's what I need to
17 hear.

18 MR. TAYLOR: Governor, can I interrupt and perhaps
19 sharpen the focus a little bit more for you? That is, that
20 there is an outstanding lease; there is a dispute between
21 two factions as to who owns it as a result of a purported
22 transfer and as a result of a mortgage foreclosure.

23 This Commission cannot settle, without the
24 agreement of both parties, that issue. And the recommenda-
25 tion of the staff to terminate the lease is to try to get

1 the matter off center so that the two parties will work it
2 out. And we will be in litigation with them, because
3 there's no way that you are going to be able to make a
4 judgment that is going to satisfy both sides today.

5 The reference that was made to the Decon lease
6 is over by Peters Landing where you have an operator out
7 in the water that's not the upland owner, was the same
8 kind of situation as this where there was a foreclosure
9 but in that situation there was no transfer whatsoever
10 of the leased area, the water area, to the foreclosing
11 parties.

12 And we got into some very lengthy litigation
13 which lasted for about three years before the private
14 parties finally settled the matter between themselves.

15 And I think that basically what the staff is
16 recommending today is that in light of the difficulties
17 between the two sets of parties, that at least this action
18 by the Commission will set a chain of events off that will
19 require a resolution between the parties. Because,
20 apparently, there's nothing that we can do to solve that.
21 We're taking the position that as far as the calendar item
22 is concerned, that there has not been a valid assignment of
23 the lease because it has not been approved by this
24 Commission, and that these parties before -- that are
25 now speaking before you do not have an ability, as a result

1 of the foreclosure and an inability to provide the parking
2 if requires to proceed with the project, the staff has
3 provided more than six months to try to cure that problem
4 and they've been unable, in the opinion of the staff, to do
5 so.

6 And I think that summarizes or brings to a point
7 the exact issue that is before you and the reason for the
8 staff's recommendation.

9 ACTING CHAIRMAN MC CARTHY: Why don't we give you
10 an opportunity to conclude, Mr. Chalabian?

11 MR. CHALABIAN: As far as the parking is concerned
12 on the project itself, the reciprocal parking agreement
13 that was put into play by KTJ, Harbor Pacific, and the
14 city through the State was to be used by all parties. If
15 that parking, reciprocal parking area can't be used by all
16 parties, we have more than sufficient parking available to
17 us for that -- for the docks that they were talking
18 about. And if the Coastal Commission's requirements to have
19 a public walkway around the entire project are upheld, then
20 there is adequate access to the property without question
21 and the water rights and that is in the handout that we
22 have.

23 I understand the time. I'd almost like to come
24 back another time if we haven't had a chance to totally --

25 ACTING CHAIRMAN MC CARTHY: Okay. I really am

1 sorry to have to abbreviate it somewhat after you sat.
2 a couple of hours through the previous items that were being
3 heard also. I'm sorry.

4 Mr. Richard Harlow, representing Mola Development
5 Corporation.

6 Mr. Harlow, I know you'll take to heart my
7 comments about this body not sitting as a city planning
8 commission nor an appellate court.

9 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, before
10 we proceed, the staff has asked me to put into the record
11 the declaration of Raymond F. Logan regarding this calendar
12 item, which has to do with the Christiana Company's
13 involvement earlier in the process.

14 ACTING CHAIRMAN MC CARTHY: All right.

15 MR. KIBEY: Basically, that document disputes
16 some of the testimony of the previous two witnesses about
17 who paid for various improvements. I'm not in a position
18 to say who's correct and who's incorrect in that because
19 that declaration is just there for the record.

20 ACTING CHAIRMAN MC CARTHY: All right. Accepted
21 into the record.

22 MR. HARLOW: Mr. Chairman, members of the
23 Commission, I'll try to expedite my presentation, keep it
24 brief and to the point.

25 My name is Richard A. Harlow. I'm representing

1 Mola Development in this particular application. Mola
2 Development is the property owner of the property outlined
3 in let's call -- for a better word -- pink, identified on
4 the map on the wall as the primary owner. They are also
5 the owner of an agreement entered into by the original
6 property owner, Harbor Pacific, of an agreement identified
7 as State Lands lease to city park as well as owner of the
8 leasehold interest to the property presently under
9 consideration.

10 All three parcels, incidentally, were at one time
11 in the very beginning tied together by Harbor Pacific
12 to either ownership fee interest or agreements with the City
13 of Huntington Beach.

14 The chain of events were in 1979 the Commission
15 approved the assignment of the lease from Harbor Pacific
16 to KTJ, an amendment to allow the lease to be mortgaged or
17 to be encumbered. By corporation grant deed dated April
18 1st, 1981, KTJ conveyed 5.1 acres fee interest in the
19 land, their interest in the reciprocal parking agreement,
20 and leasehold interest in the subject lease to Warmington-
21 Harbor Pacific Limited, a limited partnership, identified as
22 Warmington.

23 Warmington executed a deed of trust on all three
24 parcels in favor of Crocker Bank. Crocker Bank subsequently
25 foreclosed on the property in May, 1983; thereby acquiring

1 interest to all three parcels and Mola has since acquired
2 the property in March of 1984.

3 A more lengthy explanation of this has been
4 provided to your staff. We would like -- by Mola
5 Development Corporation. We would like to have that made
6 a part of the record.

7 It is our contention the lease is no longer
8 owned by KTJ. They lost their legal right to the leasehold
9 interest upon transfer to Warmington, the limited partner-
10 ship.

11 Basically, what we have is the provisions of the
12 lease allows the leasehold interest to be encumbered for
13 financial reasons. That is exactly what happened. The
14 lease was encumbered. Unfortunately, the bank foreclosed
15 on the loan. KTJ and Warmington was given an opportunity
16 to cure the loan before foreclosure, but they chose not to
17 do so.

18 Mola Development now owns the land, the rights
19 they have in the leasehold interest, as well as the
20 reciprocal parking agreement. And they really believe that
21 they have succeeded to KTJ's interest in this particular
22 property. We have, Mola Development Corporation has worked
23 closely with the City of Huntington Beach to develop a
24 comprehensive plan of this entire area, which is shown just
25 to the left to the property ownership map. The property

1 continually referred to by Mr. Chalabian and Mr. Holland as
2 the State land leased to the city for a reciprocal parking
3 agreement is just that. It's a reciprocal parking
4 agreement. The owner of the upland property developed a
5 parking lot in conjunction with the City of Huntington
6 Beach, each coming to the table owning an interest in land
7 property that was to be developed as a parking lot. The
8 only reason for the joint agreement was to allow mutual
9 use of a parking lot that was owned both parties so as not
10 to have the parking lot fenced off this part of the city
11 park, that part for the shopping center.

12 For a reciprocal easement to be reciprocal,
13 both parties must reciprocate. And in this point KTJ is
14 not in a position to reciprocate. They do not own the
15 upland property at all and their intent really is to try
16 to use property owned by Mola Development Company to
17 satisfy their particular parking requirements.

18 The plan before you incorporates -- if I'm going
19 too fast -- I'm trying to --

20 ACTING CHAIRMAN MC CARTHY: That's all right.
21 I was told that the plane is at 2:50 instead of 2:30. Lots
22 of time. 2:40. We'll blame you.

23 (Laughter)

24 MR. HARLOW: There is a 60 unit condominium
25 located. It's the large structure just at the confluence of

1 the two water areas. There are 17 patio homes, which
2 incidentally, six of which are to be occupied by employees
3 of Mola Development as well as Mola himself, who's a
4 resident of Huntington Harbour. And the fact that KIJ's
5 three members live in Huntington Harbour, I really think
6 should have no bearing on this. I think that, you know,
7 they have three; we have five. So, you know, those numbers
8 I guess you could say could get a little out of hand.

9 The boat slips under question as identified,
10 the State Lands lease has been incorporated into this
11 overall comprehensive plan. It is intended the lease has
12 been and always, we hope, will continue to be, intended to
13 be included as a part of the boat slips for the residents
14 of the particular condominiums itself.

15 The area identified as proposed marina is an
16 area that the City of Huntington Beach has expressed an
17 interest to the State Lands Commission submitting an
18 application for a lease for a public marina. We identified
19 that on the map and we did our best to accommodate the City
20 of Huntington Beach to provide enough parking to not only
21 serve the condominium but also to serve the city park, which
22 was the original purpose in the city entering the lease with
23 the State Lands Commission on that rather irregular shaped
24 parcel. And we've also provided we believe enough parking
25 to satisfy a good portion of the parking required for the

1 marina.

2 Holland was correct when he indicates that the
3 parking ratio is different when parking is to be assigned
4 to residential units within a project. Virtually no
5 parking is provided from that standpoint. The parking would
6 be provided a ratio of .75 parking spaces for each slip
7 that would be leased to the public. The State Lands
8 Commission would still be receiving rent from the entire
9 area, whether it be to a homeowner's association, to an
10 individual, or a separate marina. So, the fact that
11 parking has not been provided up to the .75 for all
12 parking spaces, I really don't think should have a bearing
13 on this particular application, but rather your concern,
14 as mentioned earlier, Governor, is that the public interest
15 be served.

16 We worked very closely with the City of
17 Huntington Beach to develop a plan that's mutually
18 acceptable. I hope that that's evident by the plan on the
19 wall I forgot to identify, but you can see the city
20 parksite which is in existence and does not have any
21 public parking. The parking is only available at curbsite
22 and in the summer months it is a problem and the city, as
23 I understand it, had fully intended to construct the parking
24 lot on the property leased from the State but was hopeful
25 they could get that done -- accomplished through the joint

1 effort of the developer of this property.

2 The City of Huntington Beach has been -- it has
3 been said that the City of Huntington Beach has shown
4 preferential treatment to Mola. I would dispute that and
5 say that the City of Huntington Beach has cooperated with
6 all property owners of the upland 5.1 acres of land, whether
7 it would be Harbor Pacific, Christiana, Chalabian, KTJ,
8 Mola Development, or whomever. They're interested in a
9 joint parking area that will satisfy their particular needs
10 for the parksite as well as satisfy the needs for the
11 project itself.

12 The key provision of the lease is that the lessee
13 had to be the owner of the upland property. The owner of
14 the upland property is presently Mola Development. It was
15 Harbor Pacific when the State Lands Commission entered into
16 the original agreement. We find it hard to believe that
17 the State Lands Commission would have entered into an
18 agreement with any other party knowing that the upland
19 owner could develop a comprehensive plan by incorporating
20 both the upland property and the leasehold property into
21 this program.

22 We respectfully request that the Commission,
23 rather than terminate the lease completely, terminate KTJ's
24 interest in the lease and approve assignment of the lease
25 to Mola Development. I realize that that's not the issue

1 before you, but we think from a technical standpoint that
2 would be the appropriate action for the Commission to take.

3 There is a substantial construction loan on the
4 property, needless to say, and Mola Development is going
5 ahead with construction. We would hope that this issue
6 could be resolved rather expeditiously. I submitted into
7 the record for your information an affidavit signed by the
8 president of the Christiana Company, Mr. Logan, indicating
9 that Christiana Companies and/or their subsidiaries were
10 responsible for completing the following improvements at
11 its own expense of the above-described real property, which
12 is the property, to sale to KTJ. Christiana put in the
13 bulkheads along the Huntington Harbour main channel; it
14 filled and compacted subject property. They dedicated the
15 parksite to the City of Huntington Beach. They constructed
16 all of the improvements for the parksite. They
17 constructed Countess Drive and they entered into
18 negotiations for the reciprocal parking agreement for the
19 City of Huntington Beach. This was all done intending
20 that these three parcels be tied together as a comprehensive
21 package.

22 They further state that in their investigation of
23 the site, can see no improvements that may have been
24 performed on the site by KTJ. So that, I think, really
25 contradicts the statement made by KTJ that at their expense

1 put in the improvements.

2 If I could briefly, I would like to respond to
3 some of the comments made by Mr. Holland and Mr. Chalabian.
4 Number one, they offered to pay the \$10,200 rent. I don't
5 really think it's an issue of whether the back rent is paid
6 is of concern to the State Lands Commission or Mola
7 Development would be standing ready to assume that
8 responsibility also.

9 They have lost the littoral land, whether through
10 some technicality they didn't mean to include the leasehold
11 interest in the State Lands property, I can't answer that,
12 other than they did appear before your Commission and asked
13 to have the lease amended so that they could encumber the
14 property to secure a loan for development. And that's
15 exactly what happened. I mean, if they wanted to hold out
16 a part, I would think that would be more inappropriate to
17 have included it by accident. My question then would be
18 why did they separate it?

19 MS. ORDWAY: May I go back to what the Governor
20 asked for originally, which is what benefit to the citizens
21 of the State will your requested action have?

22 MR. HARLOW: I think it will place the property
23 that's currently under State ownership in a position where it
24 can be utilized; it can be developed by the upland property
25 owner and thereby the bottom line is pay the rent. The rent

1 would be paid to the State. They have the parking and they
2 have the wherewithal and capabilities of carrying out the
3 lease as it was originally intended.

4 MS. ORDWAY: Thank you.

5 ACTING CHAIRMAN MC CARTHY: Are you distinguished
6 from the KTJ people? I take it if they developed the same
7 area in the manner described, that there would be some
8 revenue flowing to the State as it would be from you.

9 MR. HARLOW: That's correct. In both instances.
10 The problem with KTJ is they do not own the littoral, the
11 upland land.

12 ACTING CHAIRMAN MC CARTHY: We're trying to
13 respond to this question. That will not resolve in this
14 forum the legal disputes between you. Right? Is that
15 right? That is my initial question. What is the benefit,
16 as you describe it, to the State of California?

17 MR. HARLOW: I would say --

18 ACTING CHAIRMAN MC CARTHY: Your answer is it
19 would get some revenue if there's development in that area
20 under our

21 MR. HARLOW: Right.

22 ACTING CHAIRMAN MC CARTHY: -- responsible
23 jurisdiction were to be undertaken.

24 MR. HARLOW: I would say that the property can be
25 utilized under our particular plan; whereas, under the other

1 plan, it could not be utilized without many, many
2 contingencies, most of which I think could be satisfied.

3 ACTING CHAIRMAN MC CARTHY: Okay. Go ahead.

4 MR. HARLOW: All right. I find it amusing that
5 they would use the public walkway the Coastal Commission
6 required Mola Development to dedicate along the bulkhead
7 to satisfy their access to the boatslips. Number one, how
8 you get across private property to that public accessway
9 without, you know, violating some private property right,
10 I think that would be inappropriate.

11 The reason for the agreement I've touched upon.
12 Reciprocal parking agreement, as I mentioned, requires both
13 parties to reciprocate. In this case, KTJ is not in a
14 position to reciprocate. They do not have the upland
15 property. The city's lease -- the city's mutual or
16 reciprocal parking agreement was never intended to satisfy
17 parking for the commercial area, but rather to supplement
18 that along with the required parking for the city park.

19 ACTING CHAIRMAN MC CARTHY: I take it the city is
20 willing to state exactly that?

21 MR. HARLOW: I hope so. That's what they've been
22 telling us.

23 ACTING CHAIRMAN MC CARTHY: I hope we find out.
24 Go ahead. Do you have anything further you want to --

25 MR. HARLOW: And, again, in terms of equity, KTJ

1 argued that the fact they put in these improvements, I
2 think we refuted that. And with regard to the eelgrass,
3 we are fully aware of the eelgrass. It appears on one hand
4 RTJ is arguing that they have a lease, but on the other hand,
5 they want to throw up a smokescreen by indicating that
6 there is a problem with eelgrass, therefore, we may not be
7 able to develop and they're in a better position to do so.
8 I would say to the contrary, we have also had conversations
9 with the Department of Fish and Game and feel that
10 environmental issue can be mitigated.

11 I apologize for going fast. I hope I've answered
12 your questions. I'm prepared to respond.

13 ACTING CHAIRMAN MC CARTHY: Any questions?

14 MS. ORDWAY: No.

15 ACTING CHAIRMAN MC CARTHY: I think we've asked
16 you questions during your time.

17 Mr. James Palin, Director of Development for the
18 City of Huntington Beach.

19 Am I pronouncing your name correctly, sir?

20 MR. PALIN: Palin.

21 ACTING CHAIRMAN MC CARTHY: Palin. Mr. Palin,
22 thank you.

23 MR. PALIN: Mr. Governor, members of the
24 Commission, I really don't have a lot to say. I did want to
25 reaffirm, certainly, the administrator's letter that came.

1 in earlier that we do not object to the termination of our
2 lease, as long as that's done without prejudice. We feel
3 that starting from scratch again here is the best way. I
4 am prepared to respond to questions.

5 ACTING CHAIRMAN MC CARTHY: So the city is not
6 taking a position on the side of either of the parties --

7 MR. PALIN: No.

8 ACTING CHAIRMAN MC CARTHY: -- in this?

9 I don't think there are any questions. Does staff
10 have any questions?

11 MR. KILEY: No, there's no questions, Governor and
12 Commissioners. I would just like to -- thank you, Mr. Palin.

13 I would just like to reaffirm the staff's position
14 that we would prefer termination of the lease as though the
15 lease was still valid up to this point, or at least
16 something was there worth terminating, rather than the
17 proposal that was put forward by Mr. Harlow here, which was
18 basically to go ahead and recognize these assignments
19 rather than just terminate KTJ's purported interest in the
20 lease.

21 MS. ORDWAY: So there's obviously a relationship
22 between 14 and 15. I assume that they can be handled
23 separately and discrete?

24 MR. KILEY: Yes. There are a lot of facts here.
25 You've heard some of them today. There are probably a lot of

1 other allegations flopping around in the breeze someplace.
2 We've heard quite a few charges and countercharges by these
3 parties to this dispute. The staff feels strongly that
4 this is a dispute that can probably only be resolved in a
5 court. I'm not sure the Commission is capable of resolving
6 this thing between these private parties. So, we feel that
7 the best way to get through the thing is to terminate the
8 lease and start from scratch.

9 ACTING CHAIRMAN MC CARTHY: Do I hear a motion
10 from any member of the Commission? We're on No. 14.

11 MS. ORDWAY: May I ask a question of the A.G.?

12 ACTING CHAIRMAN MC CARTHY: Sure.

13 MS. ORDWAY: The question is to the A.G.'s Office.
14 It is your belief that the staff recommendation is appropriate?
15

16 MR. TAYLOR: It is an appropriate one from an
17 administrative standpoint. I don't -- we're going to have
18 a -- there's probably going to be a lawsuit.

19 On the other hand, if this action is taking place,
20 maybe both sides will try to compete with the Commission
21 to get a new lease. I don't know just how it will work out.
22 There are a number of choices, but this appears from an
23 administrative standpoint to be the most desirable one in
24 the staff. I don't know. We haven't been involved in it
25 long enough to know how the litigation will come out. But

1 this is the way to get it started and from the Commission's
2 standpoint, seems to be the cleanest way to get it going.
3 It's hard to know how it plays out. I can make arguments
4 both ways as to what the effect of this will be.

5 ACTING CHAIRMAN MC CARTHY: Oh, God, help us. Don't.

6 (Laughter.)

7 On No. 14; is there a motion?

8 Is there a motion in any direction for action?

9 MS. ORDWAY: I have a question.

10 ACTING CHAIRMAN MC CARTHY: Please.

11 MS. ORDWAY: Would it be maybe more desirable
12 giving your time constraints to put this over till the
13 next month? I'm just concerned about the fact that
14 everything's been done very quickly. I am still confused.
15 I'm not sure about my fellow Commissioners, but there seems
16 to be a lot of very conflicting information and I'm not
17 sure. For all I know the lease could be in Galt.

18 EXECUTIVE OFFICER DEDRICK: There certainly would
19 be no objection from the staff. We'd be glad to.

20 MS. ORDWAY: It just may be -- it may facilitate
21 us giving it a closer inspection.

22 ACTING CHAIRMAN MC CARTHY: All right. We've
23 heard all the testimony today. We'll consider this matter
24 and set it on the calendar for the next Commission meeting
25 for action.

1 EXECUTIVE OFFICER DEDRICK: Commissioners, would
2 you also like to continue Item 15 for the same time?

3 ACTING CHAIRMAN MC CARTHY: We'll also continue
4 Item 15 on the same basis. Thank you.

5 The Commission's meeting is over.

6 (Thereupon the meeting was concluded.)

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CERTIFICATE OF SHORTHAND REPORTER

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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 meeting of the State Lands Commission was
7 reported in shorthand by me, Nadine J. Parks, and there-
8 after 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 hand
13 this 14th day of June, 1984.

14
15
16 Nadine J. Parks
17 Shorthand Reporter
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