

STATE OF CALIFORNIA

Minutes of the Meeting of the
State Lands Commission
Sacramento, California

APPEARANCES

Commissioners Present:

Kenneth Cory, State Controller, Chairman
Mervyn M. Dymally, Lieutenant Governor,
Member, left at 2:30 p.m.
Betty Jo Smith, Staff Counsel, alternate
for Mervyn M. Dymally, Lieutenant Governor,
arrived at 2:30 p.m.
Sid McCausland, Deputy Director of Finance,
alternate for Roy M. Bell, Director of
Finance, Member

Staff Members in Attendance:

William F. Northrop, Executive Officer
R. S. Golden, Assistant Executive Officer
R. C. Hight, Chief Counsel
James F. Trout, Manager, Land Operations
W. M. Thompson, Manager, Long Beach Operations
D. J. Everitts, Manager, Energy and Mineral
Resources Development
Diane Jones, Secretary

Representing the Office of the Attorney General:

N. Gregory Taylor, Assistant Attorney General
Jan Stevens, Assistant Attorney General

Executive Officer's Report:

Los Angeles Accounting Problems -
Assemblyman Vincent Thomas, representing
the 52nd District

Independent Oil Producers Association -

W. R. Bradley, President
J. S. Gilstrap, Executive Vice President
Robert Johnson, Vice President and Treasurer

Re Minute Item 25 - Renewal and Amendment of Industrial Lease

Lion Oil Company:
C. Rex Boyd, General Counsel, representing
Lion Oil Company

Re Minute Item 33 - Removal of Ellwood Oil and Gas Pier

Norbert Dahl, representing the Sierra Club

MINUTES OF THE STATE LANDS COMMISSION
MEETING OF
MAY 26, 1977

The regular meeting of the State Lands Commission was called to order by Chairman Kenneth Cory, State Controller, at 2:07 p.m., in Room 2170, State Capitol, Sacramento, California. Other members present included Commissioner Mervyn M. Dymally, Lieutenant Governor, who left at 2:30 p.m.; Betty Jo Smith, Staff Counsel for the Lieutenant Governor, Commission-alternate came at 2:30 p.m.; and Sid McCausland, Deputy Director of Finance, representing Commissioner Roy M. Bell, Director of Finance.

The minutes of the meeting of April 28, 1977 were approved as written.

During the Executive Officer's report, Assemblyman Vincent Thomas, representing the 52nd District, appeared during the discussion of the proposed settlement between the City of Los Angeles and its Harbor Department. Chairman Kenneth Cory instructed staff to make sure the statutorily required annual granted lands reports are submitted to the Legislature. In summary, Mr. Northrop stated it is anticipated that a resolution will be presented at the next meeting.

With regard to natural gas transportation proposals, Commissioner Mervyn M. Dymally moved that SB 1081, his letter to the Chairman of the Public Utilities Commission dated May 24, 1977, and the item relating to natural gas transportation on the Executive Officer's report, Exhibit "A", page 3, be deferred until the next Commission meeting. This motion was passed by the Commission.

In connection with the Queen Mary, the Commission authorized the Executive Officer to send a letter dated May 26, 1977, to the City Manager of the City of Long Beach requesting the City to prepare a specific proposal for the State's review concerning transferring the Queen Mary and its operation to the Long Beach Harbor Department. The subject letter is on file in the Commission's office.

In addition, the Commission authorized the Executive Officer to send written comments to the Federal Energy Administration urging the adoption of their proposal to reduce the entitlement burden on California lower tier oil. Representatives from the Independent Oil Producers Association in Kern County appeared to explain the program they are instituting in the San Joaquin Valley to enhance their crude oil. These gentlemen were W. R. Bradley, President; J. S. Gilstrap, Executive Vice President; Robert Johnson, Vice President and Treasurer. A copy of their written statement is on file in the office of the State Lands Commission.

These gentlemen stated that the only realistic solution to being reliant on the increasingly expensive crude oil situation is a program of constructing a refinery in California to process and desulfurize low gravity oil and its residual. They stated that the role of government in this program is critical, with regard to the permit process, especially at the State level and that an active spirit of cooperation between government and the private sector is essential to the timely solution of the State's low gravity oil problem. They therefore asked the Commission's guidance and cooperation.

At the conclusion of their testimony, William F. Northrop, Executive Officer, requested that the Commission instruct the staff to take the steps necessary to make the contacts with industry to see if there is any interest in such a refinery construction program in California. In addition, he asked that the staff be authorized to do some preliminary cost estimates and also review the cost figures which the IOPA has established and see how much of their material the State can use and if it would be applicable to the State's oil and gas program. The Commission approved Mr. Northrop's request. In addition, Chairman Cory instructed the staff to talk to other governmental agencies to poll their views as to whether or not they view this as a realistic solution to the problem. Mr. Northrop stated that he had contacted the Air Resources Board; they had indicated that the problem seemed worthwhile.

Attachment: Exhibit "A"

EXECUTIVE OFFICER'S REPORT

By

WILLIAM F. NORTHROP
EXECUTIVE OFFICER

MAY 26, 1977

CALIFORNIA CONGRESSIONAL DELEGATION

W 9790

AS GUESTS OF CONGRESSMEN MARK HANNAFORD AND BILL KETCHUM,
ON MAY 19 I ADVISED MEMBERS AND STAFF OF THE CALIFORNIA CONGRESSIONAL
DELEGATION OF THE SERIOUS IMPACTS ON CALIFORNIA CRUDE OIL IF THE
PRESENT AND PROPOSED ENTITLEMENTS PROGRAM FOR ALASKAN AND FOREIGN
CRUDE WERE TO CONTINUE.

PRESIDENT CARTER'S NATIONAL ENERGY PLAN

W 9790

FEA IS CONDUCTING A BRIEFING ON THE PRESIDENT'S NATIONAL
ENERGY PACKAGE ON JUNE 14 IN SACRAMENTO AT 10:00 A.M.

BAIR ISLAND ENVIRONMENTAL STUDY AGREEMENT

W 2 101

APPROXIMATELY THREE AND A HALF YEARS. THE COMMISSION
APPROVED AN ENVIRONMENTAL STUDY AGREEMENT FOR 80 ACRES OF BAIR ISLAND,
WHICH IS LOCATED IN REDWOOD CITY, SAN MATEO COUNTY.

A TASK FORCE WAS FORMED AND VARIOUS SCIENTIFIC OBSERVATIONS
HAVE BEEN MADE, WILDLIFE INVENTORIES TAKEN, AND LOCAL PLANNING
NEEDS HAVE BEEN STUDIED. A DRAFT REPORT HAS BEEN PREPARED BY THE
DIVISION.

THE STUDY AGREEMENT PROVIDES THAT A MINIMUM OF 60 ACRES
WILL BE DONATED TO THE STATE BY THE PRIVATE PARTY, MOBIL OIL ESTATES.

WITH THE COMMISSION'S APPROVAL, THE STAFF WILL MEET AND NEGOTIATE THE SPECIFICS WITH MOBIL. THE RESULTING DONATION AND FINAL REPORT WILL BE PRESENTED TO THE COMMISSION AT THE JUNE MEETING.

NATURAL GAS PRICE HEARING

W 9738

ON DECEMBER 15, 1976, THE COMMISSION AUTHORIZED PUBLIC HEARINGS TO COLLECT EVIDENCE FOR THE RECORD TO SERVE AS A BASIS FOR A DETERMINATION IN ROYALTY GAS PRICING.

STAFF HAS BEGUN COLLECTING THE DATA NECESSARY TO DEVELOP DATA AND PROCEDURES FOR CONDUCTING THE PUBLIC HEARING. ADDITIONALLY, WE HAVE RETAINED MR. HENRY F. LIPPITT, AN ATTORNEY IN PRIVATE PRACTICE SPECIALIZING IN NATURAL GAS REGULATORY MATTERS, TO ADVISE US ON THE COLLECTION OF THE DATA. STAFF HAS TENTATIVELY SCHEDULED A DATE LATE IN JUNE OR EARLY IN JULY FOR THE PUBLIC HEARING, TO BE HELD HERE IN SACRAMENTO.

LOS ANGELES ACCOUNTING PROBLEMS

W 10313

THE STAFF, IN CONJUNCTION WITH THE ATTORNEY GENERAL, IS CURRENTLY REVIEWING THE PROPOSED SETTLEMENT BETWEEN THE LOS ANGELES CITY AND THE HARBOR DEPARTMENT. WE FEEL THESE NEGOTIATIONS ARE MOVING ALONG VERY WELL AND SHOULD BE RESOLVED PRIOR TO THE NEXT MEETING. AT THAT TIME WE WILL BE ABLE TO FORMALLY PRESENT AN AGREEMENT TO YOU. IN THE MEANTIME SEVERAL ITEMS WHICH WERE QUESTIONABLE AS TO THE GERMANENESS TO THE NEGOTIATIONS HAVE ARISEN. WE WILL SEEK THE ADVICE OF THE ATTORNEY GENERAL ON THESE ITEMS.

NATURAL GAS TRANSPORTATION

W 4300.15

IT IS BECOMING EVIDENT TO STAFF THAT THE NATURAL GAS TRANSPORTATION PROPOSALS, AS THEY AFFECT CALIFORNIA, WILL REQUIRE A POSITION FROM THE COMMISSION. THIS INDICATION WOULD BE HELPFUL NOT ONLY IN DEALING AS TECHNICAL STAFF TO OTHER STATE AGENCIES, BUT ALSO FOR INPUT INTO THE COASTAL COMMISSION. FOR THAT REASON, IT WOULD BE HELPFUL IF STAFF COULD GET SOME DIRECTION FROM THE COMMISSION OF YOUR WISHES IN THIS MATTER. WE ARE PREPARED TODAY TO MAKE A TECHNICAL PRESENTATION, OR IF THE COMMISSION WISHES, WE CAN SET IT AS A FORMAL CALENDAR ITEM, COMPLETE WITH ARGUMENTS, NEXT MONTH.

QUEEN MARY

W 10328

THE CITY OF LONG BEACH INFORMALLY ADVISES STAFF THAT THEY ARE CONSIDERING TRANSFERRING THE QUEEN MARY AND ITS OPERATIONS TO THE LONG BEACH HARBOR DEPARTMENT. IN LIGHT OF THIS, I REQUEST PERMISSION TO SEND TO THE CITY MANAGER A COPY OF THE LETTER WHICH IS PRESENTLY BEFORE YOU.

ENTITLEMENTS - CALIFORNIA LOWER TIER OIL

W 9790

CURRENTLY CALIFORNIA PRODUCERS OF LOWER TIER OIL ARE BEING PAID 60¢ A BARREL LESS THAN THE CEILING PRICE ALLOWED BY THE FEDERAL ENERGY ADMINISTRATION. THIS IS BECAUSE REFINERS MAINTAIN THAT THE OVER \$6/BBL PENALTY THEY MUST PAY TO REFINER A BARREL OF LOWER TIER CRUDE OIL, COUPLED WITH THE OVER \$2/BBL BONUS THEY RECEIVE FOR RUNNING A BARREL OF FOREIGN CRUDE, PREVENTS FURTHER PRICE INCREASES.

THE FEDERAL ENERGY ADMINISTRATION RECOGNIZES THE PROBLEM AND IN MARCH OF THIS YEAR HELD HEARINGS ON A PROPOSAL TO REDUCE THE ENTITLEMENT OBLIGATION FOR CALIFORNIA AND ALASKAN LOWER TIER CRUDES BY 54¢/BBL.

THE FEA IS CURRENTLY HOLDING HEARINGS ON THEIR PROPOSAL FOR PRICING ALASKAN NORTH SLOPE OIL; AS PART OF THOSE HEARINGS, THEY ARE ASKING AFFECTED CALIFORNIA PRODUCERS TO COMMENT AGAIN ON THEIR LOWER TIER OBLIGATION REDUCTION IN LIGHT OF THE ALASKAN OIL PRICING PROPOSALS.

I WOULD LIKE THE COMMISSION'S CONCURRENCE IN MY SENDING WRITTEN COMMENTS TO THE FEA URGING THE ADOPTION OF THEIR PROPOSAL TO REDUCE THE ENTITLEMENT BURDEN ON CALIFORNIA LOWER TIER OIL.

IN ADDITION TO THE ABOVE, MR. CHAIRMAN, I WOULD LIKE TO REQUEST THAT ITEM NO. 35 BE TAKEN OUT OF ORDER, AND FOLLOWING THAT, A PRESENTATION REGARDING ALTERNATIVES FOR OUR CALIFORNIA CRUDE PRODUCTION.

ASSISTANT EXECUTIVE OFFICER'S REPORT

W 5125.9

During the month of May, the Coastal Commission considered and adopted Regulations for the Preparation of Local Coastal Programs by the various city and county governments involved. About half of the affected cities and counties were granted small sums to get started on identifying issues to be addressed in preparing their local coastal plans.

W 5762

In the same period, the San Francisco Bay Conservation and Development Commission approved a Special Area Plan for Richmond and considered and approved a plan amendment in Benicia to change a portion of the Benicia waterfront from industrial designation to marina designation. In addition, extensive testimony was taken regarding the Emeryville Marina project primarily centered around the disposition of about 4.5 acres of alleged illegal fill placed on the project site.

RECORD OF ACTION TAKEN BY THE
STATE LANDS COMMISSION
AT ITS MEETING OF MAY 26, 1977

During the meeting the recommendations of the staff relative to Calendar Items C1, C2, C3, C4, C5, C6, C7, C8, C9, C10, C11, C13, C14, C15, C16, C17, C18, C19, C20, 21, 22, 24, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 37, 38, 39, 40, 41, and 42 were adopted as resolution of the Commission by unanimous vote.

Commission action on Calendar Items 23, 25 and 33 are set forth on pages 588, 591 and 621.

Calendar Item C11 was withdrawn from the agenda prior to the meeting.

Status of major litigation is set forth on page 642.