

STATE OF CALIFORNIA

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

APPEARANCES

Commissioners Present:

Kenneth Cory, State Controller, Chairman
Sid McCausland, Deputy Director of Finance,
Alternate for Commissioner Roy M. Bell,
Director of Finance
Betty Jo Smith, Staff Counsel, Alternate for
Commissioner Mervyn M. Dymally, Lieutenant
Governor

Staff members in Attendance:

William F. Northrop, Executive Officer
R. S. Golden, Assistant Executive Officer
R. C. Hight, Chief Counsel
James F. Trout, Chief, Division of Land Management
and Conservation
D. J. Everitts, Chief, Extractive Development--
State Leases
W. M. Thompson, Chief, Extractive Development--
Long Beach Operations
Dr. James Rote, Consultant
Stephen H. Mills, Staff Counsel
Diane Jones, Secretary

Representing the Office of the Attorney General:

Allan Goodman, Deputy Attorney General

Representing Tanker Regulations:

Retired Rear Admiral Frank Higbee

Representing Minute Item 24:

Rosemary Daniels, Resident
Ed Taaffe, representing Chevron USA, Inc.

MINUTES OF THE STATE LANDS COMMISSION
MEETING OF
May 31, 1978

The regular meeting of the State Lands Commission was called to order by Chairman Kenneth Cory at 10:06 in Room 2170, State Capitol, Sacramento. Also present were Commission Alternates Sid McCausland, representing Commissioner Roy M. Bell; and Betty Jo Smith, representing Commissioner Mervyn M. Dymally.

The minutes of the meeting of April 27, 1978 were approved as presented by a vote of 2-0 with one abstention. The minutes of the special meeting of May 10, 1978 were approved by a vote of 3-0.

W 9800.1

EXECUTIVE OFFICER'S REPORT:

With the Federal Government continuing to take steps to lease oil in the outer continental shelf off the West Coast, and at the same time the West Coast is faced with a glut of heavy crude oil, Mr. Northrop asked the Commission whether they should send a letter to the Department of Interior indicating their concern.

Chairman Kenneth Cory was not sure whether a letter should be sent, but voiced his objections to the Federal Government using bonus bidding in the OCS lease sales rather than net profits bidding. He questioned the Federal Government's ability to use this type of bidding because in his opinion it was a gift of public funds. Mr. Robert C. Hight, Chief Counsel, advised that the staff was researching this question and will report their findings to the Commission in the near future.

Dr. James Rote, Special Consultant to the staff of the Commission, appeared. In response to Mr. Cory's question concerning the Federal Government bidding process, Dr. Rote stated two bills are in Congress which allow for alternative bidding schemes -- HR 1614 and S9. He stated they have passed their respective houses and are presently in Conference Committee. In addition to changing the bidding process, it is the staff's hope there will also be a separation of exploration and development. As stated above, the problem is that the Department of Interior is proceeding with their leasing schedule and at the same time the West Coast is trying to dispose of 500,000 barrels of oil per day. He further stated it is the staff's feeling this disposition problem should first be resolved before more oil is added to that glut.

Dr. Rote also indicated that following Lease Sale 35, a post audit was prepared by the General Accounting Office. The Commission requested that a copy be sent to them.

TANKER TERMINAL REGULATIONS

W 30001

Mr. Northrop introduced Rear Admiral Frank Higbee. He stated Admiral Higbee has indicated a willingness to assist the Commission in preparing its tanker terminal regulations.

Dr. Rote gave a brief status report on the draft regulations. He stated that he is revising them to reflect the Supreme Court's ruling in *APCO v. Ray* and he is also incorporating comments from the oil companies and the Coast Guard. It is his intent to hold another public hearing in late July and schedule the regulations for the Commission's consideration in August. Commission-Alternate Betty Jo Smith requested a copy of the draft regulations.

Rear Admiral Higbee commented on the hearing he attended in Long Beach which was sponsored by the Coast Guard on their advanced notice of proposed rule-making on his subject.

ASSISTANT EXECUTIVE OFFICER'S REPORT:

Mr. R. S. Golden's written report is attached as Exhibit "A".

Attachment: Exhibit "A"

