

1 MEETING  
2 STATE LANDS COMMISSION  
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10 ROOM 2170  
11 STATE CAPITOL  
12 SACRAMENTO, CALIFORNIA  
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20 THURSDAY, JANUARY 30, 1975  
21 10:00 A. M.  
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MEMBERS PRESENT

Hon. Kenneth Cory, Chairman

Hon. Mervyn M. Dymally, Lieutenant Governor

Hon. Roy M. Bell, Director of Finance.

MEMBERS ABSENT

NONE

ALSO PRESENT

Mr. Donald J. Everitts, Manager, Energy and Mineral  
Resources Development

Mr. R. S. Golden, Assistant Executive Officer

Mr. William F. Northrop, Executive Officer

Mr. Jay L. Shavelson, Assistant Attorney General

Mr. N. Gregory Taylor, Deputy Attorney General

APPEARANCES

Mr. J. B. Hundlay, Atlantic Richfield Co.

Mr. Fred Jonas, Corporate Counsel, USA Petroleum Corporation

Mr. Wasyl Kurinij, Executive Vice President,  
USA Petroleum Corporation

Mr. Richard Mansfield, State Building and Construction  
Trades Council

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PROCEEDINGS

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CHAIRMAN CORY: The meeting of the State Lands Commission will come to order. The first item on our agenda is the confirmation of the minutes of the emergency meeting of January 14th. Are there any corrections or additions on those?

MR. BELL: I have no problems with it.

CHAIRMAN CORY: Hearing none, such will be the order.

Item number 3 is the report of the executive officer, Mr. Northrop.

MR. NORTHROP: Mr. Chairman, at the emergency Commission meeting of January 14th, 1975, you requested a report of the Staff concerning resumption of drilling operations by ARCO on Platform Holly, that was item number 8, and questions regarding the validity of the Exxon pipeline lease, again, agenda item number 4.

With regard to the ARCO Holly Platform, Division has provided me with a preliminary report summarizing the information presented at the previous Commission meetings.

The Commission has received a letter dated January the 21st, from Mr. R. O. Pollard of the Atlantic-Richfield Company which notes that, first, ARCO and Mobil paid the State a bonus of over \$4,000,000.00 for the lease in

1 question. As a result of the lease, ARCO constructed  
2 Platform Holly as a thirty-well platform. The State re-  
3 ceives approximately \$18,000.00 a day from the thirteen  
4 wells that have been constructed to date.

5 The State would receive an additional \$110,000.00  
6 per day or forty billion dollars a year for increased  
7 production of the 20,000 barrels of oil per year based on  
8 current prices.

9 While ARCO is willing to cooperate with the State  
10 in review of this matter, it emphasized that it will take  
11 action necessary and appropriate to protect its property  
12 rights in the leases.

13 Since the receipt of Mr. Pollard's letter repre-  
14 sentatives of ARCO have met with the Division and the Office  
15 of the Attorney General to review the respective positions  
16 of the parties. The State has emphasized to ARCO the  
17 necessity of a thorough review of this matter before any  
18 final decision is reached by the Commission. As a result  
19 of this meeting, ARCO has indicated a willingness to sign  
20 a letter of understanding which preserves the position of  
21 ARCO as of January 14th, 1975, and permits the State Lands  
22 Division to proceed with its review of this matter without  
23 ARCO seeking to pursue its legal remedies. This under-  
24 standing can be terminated by either party upon giving of  
25 two-week's notice. A copy of the proposed agreement has

1    been given to you. With the authorization of the Commission,  
2    I will execute the letter on behalf of the Commission.

3           CHAIRMAN CORY: The Attorney General, you have  
4    looked at the letter, Jay, and are satisfied that it's --

5           MR. SHAVELSON: Yes, Mr. Chairman, we drafted the  
6    letter in accordance with the policies that we discussed  
7    with the Executive Officer of the Lands Commission. It  
8    meets with our approval.

9           There's one thing that probably should be part of  
10   the record. In the course of our discussions with ARCO,  
11   the agreement was made subject to cancellation on two-week's  
12   notice. But we did discuss that the Commission's target  
13   date for considering a yes or no answer on this would be  
14   the April meeting of the State Lands Commission. And, I  
15   think, that the minutes ought to reflect that understanding  
16   which is not written but is --

17          CHAIRMAN CORY: That's our understanding.

18          MR. SHAVELSON: Yes, right.

19          CHAIRMAN CORY: Any questions by members of the  
20   Commission?

21          Without objection then, we shall authorize the  
22   Executive Officer to execute that agreement. Is that  
23   satisfactory with you?

24          LIEUTENANT GOVERNOR DYMALLY: Yes.

25          MR. NORTHROP: In line with the --

1           CHAIRMAN CORY: Mr. Pollard indicated in his  
2 letter that you wanted to address --

3           MR. NORTHROP: I have a couple more things I'd  
4 like to discuss on this matter.

5           CHAIRMAN CORY: Fine.

6           MR. NORTHROP: In accordance with your instructions  
7 also, the Division will, as soon as possible, meet with  
8 representatives of the Governor's Office and leaders of the  
9 Legislature to explain their views.

10           Upon completion, as Jay pointed out, a final report  
11 of the Staff will be compiled and presented at a future  
12 meeting.

13           ARCO is currently enjoined from proceeding on any  
14 work on the platform by the San Francisco Superior Court  
15 in an action brought by Get Oil Out, Incorporated, against  
16 the California Coastal Commission. Therefore, I think,  
17 really there is time for a review. We can give some kind  
18 of a thoughtful review.

19           The following additional letter has been received  
20 concerning this matter and I'd like to make it part of the  
21 record. The Isla Vista Community Council, dated January  
22 28th, 1975, is transmitting certain information concerning  
23 the 1969 Santa Barbara oil spill for the Commission to  
24 review. And is asking for financial support to determine  
25 the effect of said spill.

1           Representatives of ARCO have indicated a desire  
2 to present their, as you have mentioned, Mr. Chairman,  
3 their position directly to the Commission. It would appear  
4 appropriate for such representatives to be heard at this  
5 time.

6           CHAIRMAN CORY: Before we do that, Isla Vista's  
7 asking for some money?

8           MR. NORTHROP: Yes.

9           CHAIRMAN CORY: To ascertain what happened in the  
10 '69 spill; is that correct?

11          MR. NORTHROP: That is correct.

12          CHAIRMAN CORY: And that will be a future agenda  
13 item?

14          MR. NORTHROP: Yes, it will.

15          CHAIRMAN CORY: Are there some representatives of  
16 ARCO that wish to appear? Yes, sir, would you identify  
17 yourself for the record, please?

18          MR. HUNDLEY: My name is Jack Hundley from  
19 Atlantic Richfield Company.

20               Your Executive Officer's report mentioned the  
21 fact that we had spent over \$4,000,000.00 to acquire  
22 these two leases that are developed from Platform Holly.  
23 In addition to the bonus of over \$4,000,000.00, I'd like  
24 to point out that we have spent some \$14,500,000.00 to date  
25 in the development of these leases. The current production

1 as mentioned was 4,000 barrels a day.

2 Another matter that I would like to point out is  
3 that we have produced some 8,700,000 barrels of oil from  
4 these leases since they were acquired.

5 The mention was made of the State drilling mora-  
6 torium which as we all know was agreed upon in 1969. At  
7 that time the State, the production from the State leases  
8 in the channel was about 20,000 barrels a day. Since the  
9 moratorium has been in effect, the production has declined  
10 to about 9,000 barrels a day at the present time simply  
11 because there has been no new development wells drilled  
12 in the channel. The reference was made, of course, to the  
13 increased royalty due to the State. Assuming that we will  
14 drill 17 wells, the royalty payments would increase sub-  
15 stantially. And another interesting thing that the royalty  
16 payments, if it goes up to \$110,000.00 a day, which we  
17 believe it will, will amount to over \$40,000,000.00 a year  
18 royalty payments to the State. This is substantial.

19 Natural gas production I'd like to mention briefly  
20 because it will increase by some 14 billion cubic feet a  
21 day. And I was told by our gas people that this represents  
22 two and a third times the amount of gas currently being  
23 used by the Santa Barbara residents alone. This is note-  
24 worthy.

25 County taxes will continue. Last year we paid

1 \$797,000.00 in taxes. This provides revenue for the State  
2 and schools and the local government.

3 I'd like to go back for a moment to the Commission  
4 meeting of January 14th when you requested the Attorney  
5 General and the State Lands Division to review the findings  
6 of the previous Commission. Needless to say, after many  
7 months of study and reviewing our plans with the State Lands  
8 Division, evaluating the various alternatives, in cooperating  
9 with the State in the preparation of the Environmental  
10 Impact Report, we in Atlantic Richfield were sorely dis-  
11 appointed and somewhat dismayed that our proposed program  
12 had been further delayed. Nevertheless, we realize and  
13 appreciate the need for the new members of the Commission  
14 and the Staff to acquaint themselves with our proposed actions,  
15 so you will be personally assured that proceeding is in the  
16 best interest of the State. We are confident that after  
17 reviewing your proposal, you will be assured that resumption  
18 of drilling from Platform Holly is the proper course. And  
19 we fully well intend to cooperate in every way to expedite  
20 the early confirmation of this previous decision. Our staffs  
21 will meet with your Division people as often as we can to  
22 further discuss our plans in great detail. We urge you to  
23 hasten this effort in every way possible.

24 We have conformed fully with the procedures and  
25 the requirements of the State. And we really believe that

1 it is now time for us to resume our operations, and fulfill  
2 this basic contractual relationship of the lessor to the  
3 lessee.

4 Thank you.

5 CHAIRMAN CORY: Does the April target date seem  
6 realistic to you?

7 MR. HUNDLEY: Too far away.

8 CHAIRMAN CORY: When would you suggest?

9 MR. HUNDLEY: March.

10 CHAIRMAN CORY: You're suggesting --

11 MR. HUNDLEY: We'll do everything we can to speed  
12 it up.

13 CHAIRMAN CORY: Okay.

14 MR. HUNDLEY: As far as the company's concerned,  
15 we'll meet with your Division people, I believe, starting  
16 tomorrow as a matter of fact.

17 CHAIRMAN CORY: If we can somehow expedite it, and  
18 collapse that time frame down to March you'd feel more  
19 comfortable.

20 MR. HUNDLEY: Very much more comfortable. March  
21 is a much better month than April, and it's sooner.

22 (Laughter.)

23 CHAIRMAN CORY: If I can just make sure that I've  
24 got this correct. You indicated that you paid \$4,000,000.00  
25 bonus, but spent \$14,000,000.00 in development and had

1 withdrawn --

2 MR. HUNDLEY: 8,700,000 barrels of oil has been  
3 taken out of this structure through Platform Holly.

4 CHAIRMAN CORY: And you're paying the State a  
5 percentage royalty on that?

6 MR. HUNDLEY: Yes, we are.

7 CHAIRMAN CORY: And that percentage is?

8 MR. HUNDLEY: The State has a sliding scale of  
9 royalty that's applicable to these two leases. We pay  
10 fifty percent royalties for 500 barrels a day per well per  
11 month, if that's the average rate. This new Monterey crude  
12 that makes up three-quarters of our current production is  
13 at this fifty percent rate as the wells are producing more  
14 than 500 barrels a day.

15 CHAIRMAN CORY: Any questions from other members?

16 MR. BELL: No, I have no further questions. I  
17 was curious about the April date.

18 CHAIRMAN CORY: We'll see what we can do to get  
19 the ides of March upon you, sir. (Laughter)

20 MR. HUNDLEY: Fine, thank you.

21 CHAIRMAN CORY: Thank you. Mr. Northrop.

22 MR. NORTHROP: The second thing I'd like to  
23 discuss, Mr. Chairman, Members, is the item on which the  
24 Commission requested a report in connection with the  
25 validity of the Exxon pipeline lease located in the Santa

10  
1 Barbara Channel.

2 The Division and the Office of the Attorney General  
3 are proceeding with preparations for trial in the case of  
4 Cory versus The State Lands Commission.. A court hearing  
5 is now scheduled for March 19th in the Sacramento Superior  
6 Court. And since this is a major litigation, any further  
7 comment at this time would appear inappropriate on my part.

8 LIEUTENANT GOVERNOR DYMALLY: Am I to understand  
9 that the Chairman is suing me? (Laughter)

10 CHAIRMAN CORY: That was my reaction.

11 MR. NORTHROP: Jay, do you feel you can address  
12 yourself, that's a question I think we should.

13 MR. SHAVELSON: Yes, it is the question with which  
14 we're concerned, and with which we intend to discuss with  
15 the Chairman, with Mr. Cory's attorney when he returns  
16 very shortly. It's an awkward procedural situation.  
17 (Laughter)

18 MR. NORTHROP: And a further report to the  
19 Commission will be made when this is done. And I believe  
20 the Governor, at least in conversations, expressed some  
21 concern about recent seismic activity and I wonder, sir, if  
22 you would care to share that with us at this time.

23 LIEUTENANT GOVERNOR DYMALLY: It seems to me that  
24 in view of the seismic activity we have in Los Angeles,  
25 there's need for the Staff to move cautiously and examine

1 what effect it's going to have on the environment in terms  
2 of drilling. So I'd like very much for you to get back  
3 to either me or to the Commission with some expert report  
4 on the effect of these seismic activities in Southern  
5 California.

6 MR. NORTHROP: Thank you very kindly, Governor,  
7 we'll move on that as soon as possible.

8 Okay. The next thing I'd like to discuss here,  
9 gentlemen, is the PRC's 3150, 4000 and 1824, in Santa  
10 Barbara.

11 The Commission, at the January 14th meeting,  
12 rescinded resolutions authorizing resumption of oil drilling  
13 by the Standard Oil Company in Santa Barbara, and determined  
14 that an application for such resumption can only be con-  
15 sidered after the preparation of an Environment Impact  
16 Report.

17 I would like to report that since that meeting  
18 the Division Staff has started interviewing consultants  
19 who are qualified to prepare such a report. And when an  
20 acceptable firm is found, the Division will enter into an  
21 agreement whereby the consulting firm will prepare the  
22 report under the supervision of the Division.

23 CHAIRMAN CORY: Question on that. Will you in the  
24 normal course of events in the current operating procedures  
25 with the Division do that, employ that firm without

1 consultation or bringing it up?

2 MR. NORTHROP: As I understand it, Mr. Chairman,  
3 that's the way it operates; is that correct, Mr. Shavelson?

4 MR. SHAVELSON: It's a proper procedure if  
5 authorized. It's a general authorization made. Maybe  
6 Mr. Golden can address himself to the practice.

7 CHAIRMAN CORY: I want the Commission Members to  
8 know whether or not we want to proceed that way. We should  
9 be notified before the contract is entered into.

10 MR. BELL: I'd prefer to at least have it brought  
11 to us for a consideration.--

12 CHAIRMAN CORY: Then the question is --

13 MR. BELL: --after you've made your determinations.  
14 But I'd like to know what standards you're using and I  
15 want to be assured we pick the best firm.

16 MR. NORTHROP: Okay.

17 CHAIRMAN CORY: In terms of the time frame, does  
18 it make sense to allow the Staff to bring that to each of  
19 us individually, and if there is unanimous agreement, then  
20 they can proceed without us waiting for the next meeting?

21 MR. BELL: Yes.

22 LIEUTENANT GOVERNOR DYMALLY: Yes.

23 CHAIRMAN CORY: If any one member has a question,  
24 then we're asking the Staff not to enter into the agreement.  
25 If any member of the Commission has a question, then it

1 goes on the next Committee. But rather than lose the time,  
2 if everything looks proper, everybody's happy.

3 MR. BELL: I would agree with that because that  
4 would prevent a holdup.

5 CHAIRMAN CORY: Now, does that cause us any  
6 problems with the Staff or with the Attorney General as to  
7 procedure?

8 MR. SHAVELSON: Just so long as it's understood  
9 that it's not a joint decision by the Commission made  
10 without an open Commission meeting. It's simply that if  
11 any individual member interposes an objection without  
12 having communicated with another, the Executive Officer  
13 will bring it to the next Commission meeting.

14 CHAIRMAN CORY: It will be a veto of each indi-  
15 vidual member to just put it on the agenda.

16 MR. NORTHROP: So that I might understand, Mr.  
17 Chairman, what you're saying is that any one member can  
18 veto the whole thing, and that veto means that we didn't  
19 make it a calendar item and we need to discuss it.

20 CHAIRMAN CORY: Yes.

21 MR. NORTHROP: Okay, fine.

22 CHAIRMAN CORY: So that otherwise if you get  
23 unanimous, everybody's happy with it, rather than lose the  
24 time, they can go ahead.

25 MR. BELL: Good idea.

1 MR. NORTHROP: And, I think, this was raised in  
2 criticism of the report, particularly in a meeting in  
3 Santa Barbara. The consultants will work directly for the  
4 Division, and I wanted to have that reflected here because  
5 it was a criticism. I think, from my point as an observer  
6 at that meeting, well taken. We shall, of course, keep  
7 you advised.

8 I have a request from --

9 CHAIRMAN CORY: Yes, sir.

10 LIEUTENANT GOVERNOR DYMALLY: If I may, I'd like  
11 to go back to that statement I made on seismic problems  
12 in Southern California. I have a very brief statement I'd  
13 like to enter in the record, and I'll let my friends in  
14 the press see it before I do that.

15 CHAIRMAN CORY: Well, the way you phrased that,  
16 you aren't going to let Bob Schmitt see that, are you?

17 (Laughter)

18 (The following is a typed statement by Lieutenant  
19 Governor Dymally which he requested be placed in the record  
20 at this point.)

21 "Mr. Chairman, permit me to make a brief  
22 comment for the record.

23 "It seems to me that the State, as a matter  
24 of policy as well as a matter of law, ought to  
25 have the right and the power to change these

1 arrangements in light of changing events  
2 which may render some or all of this activity  
3 potentially more hazardous than it had seemed  
4 at first.

5 "Southern California is now experiencing  
6 a sudden increase in seismic activity, over  
7 a large geographical area. I believe we  
8 should be paying a great deal of attention  
9 to this renewed seismic activity in relation  
10 to drilling and pipeline proposals."

11 MR. NORTHROP: Mr. Mansfield, Building and Trades  
12 Council, has requested that he'd like to address himself  
13 to the, I think, probably composite of the three subjects  
14 we've discussed already.

15 CHAIRMAN CORY: Mr. Mansfield?

16 MR. MANSFIELD: Thank you, Mr. Chairman. My name  
17 is Dick Mansfield. I represent the State Building and  
18 Construction Trades Council of California. I appreciate  
19 the opportunity you have given me to address you again  
20 on this particular problem.

21 There has been some new developments, obviously,  
22 since the last Commission meeting. Mainly the imposition  
23 by Presidential Edict of a three-dollar-a-barrel tariff  
24 on all imported oil. And, of course, there is a lot of  
25 figures being kicked around, but it is my understanding that

1 this tariff is going to result in about a sixty-billion-  
2 dollar-a-year increase in cost.

3 Recently the AFL-CIO came out with a program in  
4 counter to President Ford's program on inflation. Part  
5 of that AFL-CIO program is to develop as rapidly as possible  
6 all sources of energy. That includes a development of oil,  
7 obviously. And, I think, we find ourselves today in a  
8 very grave situation and I'm most happy to note the members  
9 of the Commission are proceeding as rapidly as possible to  
10 get these problems straightened out and obtain assurance  
11 so that we can resume oil production. Not only in the  
12 Santa Barbara Channel, but along the Continental Shelf  
13 itself where it is known there are vast reserves.

14 Thank you very much.

15 CHAIRMAN CORY: Thank you very much, Dick. Any  
16 questions from the members? Thank you.

17 MR. NORTHROP: On January 21st, Chairman Cory and  
18 I went to Washington in connection with Mr. Cory's appear-  
19 ance before the Congressional Subcommittee on Antitrust and  
20 Monopoly. While in Washington we met with federal energy  
21 officials and congressional representatives concerning the  
22 pricing of oil and gas. Based upon a critical review of  
23 the situation, it appears that the State should make  
24 separate applications to the Federal Energy Administration  
25 for rulings which would increase the State's oil and gas

1 revenues from production derived from State leases. The  
2 first of these applications should request recognition of  
3 the price inequities created by the gravity differentials  
4 in posted prices in California and request an appropriate  
5 price adjustment. The second application should seek  
6 recognition that the current definition of "new oil" fails  
7 to take into consideration the re-pressuring operations  
8 the State employs which results in production maintenance  
9 even though there is no actual increase in production over  
10 that occurring during the base period. In layman's terms,  
11 this means at present California is not getting a fair  
12 price for its oil produced from State lands due to circum-  
13 stances peculiar to this locality and the FEA should be  
14 requested to rectify this inequity.

15 Mr. Chairman, with the approval of the Commission  
16 I will instruct the Division and Office of the Attorney  
17 General to make the appropriate applications with the  
18 Federal Energy Administration for both gravity differential  
19 price adjustments ~~and price adjustments based on secondary~~  
20 ~~fiduciary recovery methods.~~

21 CHAIRMAN CORY: Mr. Bell.

22 MR. BELL: Are those both what I would call parity  
23 requests?

24 MR. NORTHROP: The first one is a parity request,  
25 so we get the same price. And the secondary recovery

1 concept -- I think we're really unique in California in the  
2 fact that we have perhaps not pioneered water flood, but  
3 we have made it an integral part of our field development.  
4 And by such, and where a gravity we have stopped the declined  
5 curve and flattened it out a great deal. And this is  
6 expensive, Mr. Bell. And I think we ought to bring it to  
7 the attention of the FEA and ask for an appropriate ~~relief~~  
8 in pricing. Now I realize the President's energy message,  
9 it talks about the elimination of price controls completely  
10 on oil, and at this time and in the past.--

11 MR. BELL: I wouldn't rely on that.

12 MR. NORTHROP: All right. In that case I would  
13 like to use this in a backup position, if I may.

14 MR. BELL: Mr. Chairman, I'm personally sympathetic  
15 to seeing that California is treated equitably with the  
16 midwest and everybody else on this respect. However, I  
17 am slightly concerned, I am at least concerned because I'm  
18 not ~~concerned~~ of the impact on what it would do with people  
19 who have to buy gasoline in California. And so I would  
20 like to have something perhaps from the Staff which would  
21 indicate --

22 CHAIRMAN CORY: Indication of what share of the  
23 market this would amount to?

24 MR. BELL: Or what impact it would have, and I  
25 would like to discuss it with the Governor.

1 MR. NORTHROP: Okay. Fine.

2 CHAIRMAN CORY: Put this item on the agenda for  
3 the next meeting and we will have a Staff report delivered  
4 on that subject to all the members so we will be prepared  
5 to vote at the next meeting.

6 MR. BELL: Fine. Thank you.

7 MR. NORTHROP: And the last thing I'd like to  
8 discuss, Mr. Chairman, is the appeal of FEA Oil Sell-Off  
9 Ruling. It gets rather sticky and a little complicated, so  
10 I hope you'll bear with me.

11 Under certain oil and gas leases, the State is  
12 entitled to take oil in kind instead of a monetary royalty  
13 payment. This right to take oil in kind was exercised by  
14 the State in several instances, and the oil was sold pur-  
15 suant to competitive bids approved by the Commission in  
16 1973. The successful bidders agreed to pay the State a  
17 bonus of 78 cents to \$1.27 per barrel over the posted price.  
18 Administrative proceedings by certain State entities en-  
19 titled to the oil prior to the State's exercise instituted  
20 proceedings before the Federal Energy Administration to set  
21 aside the sell-offs.

22 By opinion dated January 17th, 1975, the Federal  
23 Energy Administration reaffirmed its former determination  
24 that Signal Oil Company, now a subsidiary of Burmah Oil  
25 Corporation, had the right to continue to take the State's

1 royalty oil under leases PRC 392 and 425.1. This ruling  
2 was made despite the fact the State had exercised its  
3 rights under said leases to take its royalty oil in kind  
4 and has awarded sales contracts for said oil to World Oil  
5 Corporation and USA Petroleum Corporation. The Federal  
6 Energy Administration based its ruling upon an interpreta-  
7 tion of Section 211.63 of its regulations with which the  
8 interpretation the State is in disagreement. The Attorney  
9 General is presently taking steps to obtain from the  
10 Federal Energy Administration a temporary stay on its  
11 ruling, and is preparing an action in the United States  
12 District Court to review said ruling. In addition, the  
13 USA Petroleum Corporation, relying on the Federal Energy  
14 Administration's ruling, has withheld the sum of 357,000,000  
15 or \$357,433.81 --

16 CHAIRMAN CORY: At 357,000,000 you got Roy's  
17 attention. (Laughter)

18 MR. SHAVELSON: I care, Mr. Chairman.

19 MR. NORTHROP: So they withheld \$357,433.00 from  
20 their latest remittance to the State, which sum represents  
21 the cumulative bonus from May of 1974 attributable to  
22 "new oil" formerly delivered under sales contracts with  
23 USA Petroleum. The Attorney General will also take  
24 appropriate action against USA with regard to the withholding  
25 of these monies.

1           So that's the problem.

2           CHAIRMAN CORY: Do you need any action at this  
3 time?

4           MR. NORTHROP: USA has requested a chance to speak,  
5 and that might be well or the Attorney General may want to  
6 do some more prefacing.

7           MR. SHAVELSON: I don't believe that any formal  
8 Commission action is necessary. The former Commission  
9 authorized our appearance before the Federal Energy Admini-  
10 stration. I believe that implicit in that authorization  
11 is the authorization to ask for a review of that ruling  
12 now that an adverse one has come down in the U.S. District  
13 Court, but informally. Of course, if the Commission has any  
14 objection to our proceeding, we would want to know.

15           CHAIRMAN CORY: No objection.

16           MR. BELL: I don't see how we could.

17           CHAIRMAN CORY: Appears to be no objection. Should  
18 we hear from Mr. Jonas?

19           MR. NORTHROP: Mr. Jonas from USA has requested --

20           MR. JONAS: My name is Fred Jonas. I'm the  
21 corporate counsel for USA Petroleum Corporation. I've  
22 come here with two men from the office purposely to address  
23 the Commission and to, for the record, make a very brief  
24 statement.

25           First of all, I have been in touch and have talked

1 at some length with Mr. Shavelson. We're attempting to  
2 work this out on a cooperative basis, and I'm sure that  
3 we'll be able to do so. First of all, we all recognize  
4 that the state of the law as acknowledged this and has  
5 existed for many many months, has raised the very serious  
6 question of the validity of these contracts. In spite of  
7 that, USA Petroleum Corporation, and I might interject here  
8 I wish the \$357,000.00 had been 357,000,000 because we  
9 probably would not need the oil under these contracts.  
10 It raises a very serious question of the legality of these  
11 contracts. Despite that fact, and this situation legally  
12 as Mr. Shavelson I'm sure has advised you, has existed for  
13 many many months. But despite that fact USA Petroleum  
14 even though it is a small independent has continued to  
15 meet its obligations and in a very responsible manner under  
16 these contracts. And it has paid the full contract price  
17 for the oil in spite of the legal question, the validity  
18 of these contracts and despite the fact, gentlemen, that  
19 USA Petroleum has never actually received physical possession  
20 of one drop of oil that it has bid upon.

21 CHAIRMAN CORY: Mr. Jonas --

22 MR. JONAS: That is a separate problem. Yes, sir,  
23 Mr. Cory.

24 CHAIRMAN CORY: To clarify that, who's been getting  
25 the oil?

1 MR. JONAS: The oil has been going to the lessees  
2 under their, to their pipelines to the --

3 CHAIRMAN CORY: Is that with your knowledge and  
4 acquiescence?

5 MR. JONAS: I would say, yes, sir, it is. But  
6 we do --

7 CHAIRMAN CORY: Do you make some sort of an exchange  
8 with them?

9 MR. JONAS: There has been some exchanges, yes,  
10 sir.

11 CHAIRMAN CORY: Are they honoring their side of  
12 the exchange agreement?

13 MR. JONAS: Yes, at this point they are, sir. But  
14 we feel that it is necessary to work out with the State  
15 Lands Commission an arrangement whereby we could obtain  
16 physical possession of the oil.

17 Mr. Cory, this is Mr. Wasyl Kurinij, who is in  
18 charge of products and supply for USA Petroleum, and he  
19 would like to inform the Commission on this matter.

20 MR. KURINIJ: As far as the possession of the  
21 crude oil, we have received and made exchanges for the  
22 crude produced in Burmah's, Exxon's and Texaco's lease.  
23 We have been unable to make an exchange for the crude  
24 produced under Standard Oil of California's lease. We've  
25 continued to pay for that crude. Standard Oil of California

1 is continuing to receive that crude.

2 CHAIRMAN CORY: Help me with that. I've got some  
3 problems with that.

4 MR. KURINIJ: Well, as far as the State's concerned --

5 CHAIRMAN CORY: Mr. Coubillon I don't think would  
6 steal your oil.

7 MR. KURINIJ: No, no. They're not stealing our  
8 oil. They disagree with us as far as ownership of the  
9 crude oil. Now the State says the crude oil is ours.  
10 We're paying the State for that crude oil. Standard Oil of  
11 California has filed suit saying, "The crude oil is not  
12 yours, we will not deliver that crude to you."

13 CHAIRMAN CORY: Is Standard paying the State of  
14 California for the crude?

15 MR. KURINIJ: Not to my knowledge.

16 MR. JONAS: No, the State of California has  
17 refused to accept direct payment from SOCAL or the other  
18 major oil companies involved for the crude. The State of  
19 California's position is that they must bill us for the  
20 crude.

21 CHAIRMAN CORY: Is this the Division?

22 MR. NORTHROP: I believe there's not crude being  
23 billed.

24 MR. KURINIJ: No, no, crude is being billed we're  
25 paying for it. We're just not receiving it.

1 MR. BELL: They don't want to pay for something  
2 they're not getting.

3 MR. KURINIJ: What we're saying is we're a small  
4 company and we're paying for crude --

5 CHAIRMAN CORY: Pardon me for belaboring this.  
6 I seem to be ~~perceiving~~ the fact situation as you tell it  
7 to me that you're paying for oil that you're not getting,  
8 and someone else, in one case may be Standard Oil of  
9 California, is getting that crude and not paying for it.

10 MR. JONAS: No, they are reimbursing the corpora-  
11 tion at the posted price.

12 CHAIRMAN CORY: Ah, okay. And you're accepting  
13 their reimbursement?

14 MR. KURINIJ: We did. We couldn't stand it any  
15 longer basically because of the cash flow situation. We  
16 were not reimbursed from May until October. In December  
17 we asked Standard and they agreed to reimburse us. Not  
18 stating their position or ours, they have reimbursed us  
19 for the crude which we have paid for through October of  
20 this year.

21 CHAIRMAN CORY: Okay. So this --

22 MR. KURINIJ: Prior to that we didn't want their  
23 money, all we wanted was to receive the crude, get it on  
24 exchange. But we can't afford to keep paying for the crude  
25 and not getting it. It is just too much money for us.

1 CHAIRMAN CORY: Have you entered into an exchange  
2 contract prior to your bid or contingent upon that bid?

3 MR. KURINIJ: No, you can't do that. You've got  
4 to have the crude; otherwise nobody's going to talk to you.  
5 Once we've got the crude, we've arranged for exchange.

6 CHAIRMAN CORY: So you bid blind.

7 MR. KURINIJ: Oh, yes.

8 CHAIRMAN CORY: Yes.

9 MR. KURINIJ: We're small, that's the only way we  
10 can operate.

11 CHAIRMAN CORY: And you have worked out exchanges  
12 with all except Standard of California?

13 MR. KURINIJ: We've worked out exchanges for the  
14 other crude; the Burmah, Exxon and Texaco crude.

15 CHAIRMAN CORY: But not --

16 MR. KURINIJ: And they've waived their title to  
17 that crude pending outcome of the FEA ruling, stating they  
18 will not go back retroactively and make us reimburse them  
19 or make us give back the crude. But we have not gotten that  
20 assurance from Standard, and Standard has rightly filed  
21 suit saying that as far as they're concerned that crude is  
22 not ours.

23 CHAIRMAN CORY: Okay, but if you have that agree-  
24 ment, the deduct, is that the bonus payment just on the  
25 amount going to Standard of California or is it --

1 MR. KURINIJ: No, sir.

2 CHAIRMAN CORY: -- or is it on the full amount?

3 MR. KURINIJ: As we understand it, and I'm not an  
4 attorney, the FEA now says that the crude that we're getting  
5 from Burmah, from Exxon and from Texaco, is also not ours.  
6 That we have no right to that crude, and have had no right  
7 to that crude. And if, in fact, we have to give back that  
8 crude, there's no way we're going to get a bonus from any-  
9 body.

10 MR. JONAS: I might add, gentlemen, that that has  
11 been the state of the law for several months since the  
12 temporary Court of Appeal handed down its ruling in connec-  
13 tion with certain litigation regarding the exemptions of  
14 the State of California from price control.

15 CHAIRMAN CORY: Just so I get the picture in my  
16 mind.

17 MR. JONAS: Yes.

18 CHAIRMAN CORY: Excluding Standard of California,  
19 you've entered into some sort of an exchange for that  
20 crude and are receiving some benefits even though you're  
21 not receiving possession?

22 MR. KURINIJ: Yes, sir, with Standard of California.  
23 My exchange for Burmah, Exxon, Texaco is with the Standard  
24 of California except for their own crude they just don't,  
25 and I can't argue with them. I mean, legally they say it's

1 not our crude. But the exchange is with them, but they won't  
2 release their own crude.

3 CHAIRMAN CORY: But the point I'm trying to get at,  
4 it seems to me that other crude oil there is a benefit  
5 accruing to USA that you're able to enter into an exchange  
6 that you would not have been able to enter into otherwise.  
7 And for that portion you've gotten something for that, and  
8 you should come up with your side of the money. I just want  
9 you to know where I stand.

10 MR. KURINIJ: What you're asking us to do is to  
11 pay -- we signed a contract with the State of California  
12 that said we were going to get X barrels. What you're  
13 asking us to do is to pay for all the expensive crude, but  
14 for the cheaper crude because it's old, sorry, we can't  
15 help you, you can't get it. So pay for the expensive stuff,  
16 but the cheap stuff where we could really make some money,  
17 you can't have that, and that's the position I'm sitting in.  
18 I'm paying for all the expensive crude. My profit is  
19 marginal. On the crude I could make some money, and I can't  
20 get it. So am I to continue paying for all the expensive  
21 crude, and leave the inexpensive crude in somebody else's  
22 hands. I'm not big enough for that. I can't afford that  
23 financially. I'm marginal, and the expensive crude is nil.

24 MR. JONAS: The difficulty has arisen largely as a  
25 result of the very complex and protracted litigation arising

1 out of the FEA ruling. In the interim period the company  
2 feels that it is not equitable nor under the state of the  
3 law is it their legal obligation to bear the full financial  
4 burden of the current consequences of the FEA ruling and  
5 the litigation that has resulted. And we are asking for  
6 a fair and equitable arrangement. We want to work it out.  
7 We want to cooperate with you. And we want to preserve  
8 the validity of these contracts. We want to cooperate with  
9 you in helping to support the legality of these contracts  
10 of litigation. We are asking that you also work with us  
11 in an equitable arrangement, that we hope to work out  
12 voluntarily with the Attorney General's Office.

13 CHAIRMAN CORY: Okay. Any questions?

14 (Thereupon there was a short discussion off the  
15 record.)

16 CHAIRMAN CORY: The only way I know to proceed  
17 that is to have the Staff give us a report.

18 MR. BELL: But on the last statement --

19 CHAIRMAN CORY: We appreciate your time. Thank you.  
20 Okay, does that conclude your report?

21 MR. NORTHROP: That concludes my report, Mr.  
22 Chairman.

23 CHAIRMAN CORY: We have the permit section on the  
24 agenda, 4(a), application of California Department of  
25 Fish and Game.

1           LIEUTENANT GOVERNOR DYMALLY: Mr. Chairman, it  
2 has been the practice of this Commission to approve these  
3 applications without looking at the Environmental Impact  
4 Study. I want to suggest to Staff that they make this study  
5 available to the Members before so we can truthfully say  
6 that we have read the report.

7           MR. TAYLOR: Mr. Chairman, I think that the state-  
8 ment ought to be clarified that the Environmental Impact  
9 Report is a negative declaration, and other matters prepared  
10 by the Staff have been read and considered by the previous  
11 Commission and have been distributed to this Commission. I  
12 think that the point you're making, Governor, is that in  
13 cases where we have accepted a report of another state  
14 agency that that --

15           LIEUTENANT GOVERNOR DYMALLY: Yes.

16           MR. TAYLOR: -- one has not been received by the  
17 Commission, and in that area those are very limited in  
18 numbers.

19           LIEUTENANT GOVERNOR DYMALLY: Very well, that's  
20 all. I move adoption of that item 4(a).

21           CHAIRMAN CORY: Do we need to take action indi-  
22 vidually on each item?

23           Is there anyone here to speak on any of the  
24 calendar items under 4(a) through (e), various permits?

25           Hearing none, Mr. Dymally moves, Mr. Bell seconds,

1 those items be approved without objection. Such will be  
2 the order.

3 Item 5.

4 (Thereupon Lieutenant Governor Dymally left the  
5 meeting room at 10:40 a. m.)

6 MR. BELL: These are the same things, but under  
7 rental agreements.

8 CHAIRMAN CORY: We have rental agreements with  
9 PG&E and Agate Bay Properties, Inc. Is there anybody in  
10 the audience who wishes to be heard on these items?

11 MR. BELL: I have no problem with them.

12 CHAIRMAN CORY: Mr. Bell moves and I will second,  
13 without objection it will be approved.

14 Item 6.

15 MR. NORTHROP: Mr. Chairman, we turned up item 6(b).  
16 It should be deleted.

17 CHAIRMAN CORY: It's eliminated.

18 MR. BELL: It's crossed off my agenda.

19 CHAIRMAN CORY: What is 6(a)?

20 MR. BELL: That's a resumption of oil drilling  
21 offshore.

22 MR. NORTHROP: Mr. Chairman, Mr. Don Everitts  
23 from our Staff, would like to comment on that.

24 MR. EVERITTS: Well, back when the last Commission  
25 declared the moratorium on offshore drilling, the Staff

1 prepared a report, went back to them and recommended that  
2 drilling be resumed. The Commission rejected the Staff's  
3 report at that time, but did say they would consider indi-  
4 vidual wells that might present some unique circumstance  
5 indicating that there would be no problem drilling them.

6 This is a well that's drilled from the upland into  
7 a State lease. It's a well that's part of the development  
8 program of a secondary recovery program. It presents no  
9 threat to the marine environment, so the Staff considered  
10 that it was a unique well and has recommended that the well  
11 be drilled. This continues a policy of the Commission since  
12 1969. And since that time the Commission has approved  
13 approximately 150 similar-type wells, all drilled from the  
14 uplands, slant-drilled into offshore leases. And we  
15 simply recommended that.

16 CHAIRMAN CORY: Is this a secondary recovery?

17 MR. EVERITTS: This is a part of a secondary  
18 recovery program, yes.

19 MR. BELL: Water injection?

20 MR. EVERITTS: Well, this well is a production well  
21 but it's under water injection.

22 CHAIRMAN CORY: It is a production well which would  
23 be on production when, if we approved this at this point  
24 in time?

25 MR. EVERITTS: Thirty to forty-five days.

1 CHAIRMAN CORY: What, from the Attorney General,  
2 what is our discretion in this approval?

3 MR. SHAVELSON: You have the discretion under the --  
4 the Staff has the discretion under the regulations to  
5 determine the surface and bottom location of each well, and  
6 to approve the drilling of each well, except to the extent  
7 that the extraordinary circumstances generally applicable  
8 to the moratorium are involved, provided that the well is  
9 deemed safe and within the engineering criteria set forth  
10 by the Division. The discretionary authority is, in our  
11 opinion, somewhat limited by the terms of the lease.

12 CHAIRMAN CORY: Would the oil from this be new  
13 unreleased oil?

14 MR. NORTHROP: A good portion of this production  
15 is new ~~unreleased~~ oil.

16 CHAIRMAN CORY: Would it be putting us down with  
17 new ~~unreleased~~ or would it be part of the old oil?

18 MR. EVERITTS: This would probably be new oil.

19 CHAIRMAN CORY: How is it going to be categorized  
20 in terms of payment?

21 MR. EVERITTS: It will go under a lump of oil that's  
22 in excess of 1972 base month. The way it will --

23 MR. NORTHROP: They don't trade to an individual  
24 basis.

25 MR. EVERITTS: You've got X number of wells that are

1 producing.

2 CHAIRMAN CORY: What happens if we put this over  
3 while we ascertain the report as to what the extent of our  
4 discussion and the question of how that comes into the  
5 category. What happens?

6 MR. EVERITTS: You delay the production for 30  
7 to 45 days. It's just that in a water flood of this nature  
8 you have to keep going or you lose the scientific and  
9 mechanical advantages of getting the water into the reser-  
10 voir and producing the oil. You can't hurt the reservoir  
11 by not drilling the well over a period of time.

12 CHAIRMAN CORY: Is this when --

13 MR. BELL: In your opinion would this be injured  
14 in any way by putting it over a 40 days or 45 days?

15 MR. EVERITTS: In my opinion you're not going to  
16 do a great deal of harm in a 30 to 45 days, but you don't  
17 want to delay much longer than that.

18 MR. BELL: Would it matter whether it started  
19 producing in a month or two or whether it produced in say  
20 six months as to whether it would be classified as new  
21 oil under your definition?

22 MR. EVERITTS: Well, of course, this is my defini-  
23 tion. A definition of new oil is oil produced in excess of  
24 the base month in 1972.

25 CHAIRMAN CORY: But the problem of where we are on

1 a declining curve.

2 MR. EVERITTS: If you ever get this enhanced with  
3 a production release, why then you're in good shape in  
4 any event. But, you try to keep a higher rate of oil  
5 because the problem is it's an engineering problem, and  
6 you're injecting water and if you don't take oil out you  
7 bypass the oil. It's just not good engineering practices  
8 to delay in a project that's going on.

9 CHAIRMAN CORY: How many --

10 (Thereupon there was a short discussion off the  
11 record.)

12 CHAIRMAN CORY: Okay.

13 MR. BELL: How much would the well produce?

14 MR. EVERITTS: Well, it doesn't really --

15 MR. BELL: Initial production?

16 MR. EVERITTS: Production might be, a large  
17 gross which may be 200 barrels a day of oil. Our royalties  
18 are only --

19 (Thereupon there was a short discussion off the  
20 record.)

21 CHAIRMAN CORY: Let's go ahead and approve this.  
22 In the future when these wells come up, if we could keep  
23 track of that question and perhaps at some point, Jay, you  
24 might stop by and explain to Roy and I the latitude of our  
25 discretion because that is something that we have some

1 interest in pursuing with others.

2 One well --

3 MR. BELL: Yes, one well.

4 CHAIRMAN CORY: Mr. Bell moves, and I'll second  
5 the approval of that one.

6 MR. BELL: It's an upland well anyway..

7 MR. NORTHRUP: It's upland.

8 CHAIRMAN CORY: Item 6(c).

9 Without objection, such will be the order on item  
10 6(a).

11 6(c), Mr. Sandburg's permit to prospect.

12 MR. BELL: This is for prospecting only.

13 MR. NORTHRUP: Prospecting only.

14 CHAIRMAN CORY: Is there a commitment with the  
15 issuance of that permit as to a royalty rate or the tax  
16 that person will in fact --

17 MR. NORTHRUP: The normal rate is attached to the  
18 application here.

19 MR. BELL: Are we frozen to a royalty rate?

20 MR. NORTHRUP: Jay, Mr. Attorney General.

21 MR. SHAVELSON: Yes. The permit gives preferential  
22 right to the permittee in the event that he finds the  
23 substance in commercial quantities and, so therefore, there  
24 must be rather firm terms upon which he gets it, including  
25 the rental being, the royalty being perhaps the central term

1 that must be agreed upon at the time the permit is issued.

2 MR. BELL: This has a sliding scale? He makes more,  
3 then we get more?

4 MR. NORTHROP: Right. Depending on the assay, the  
5 higher the assay, the more money we get. It ranges from  
6 ten percent of \$3.00 a ton to a one percent at \$70.00 a  
7 ton and it is graduated between those brackets.

8 CHAIRMAN CORY: Is there a requirement of disclosure  
9 of his prospecting activities? If he put in four holes,  
10 or things like that, does he have to report back to the  
11 Division?

12 MR. EVERITTS: Yes.

13 CHAIRMAN CORY: So we have full information of  
14 what he has done even if it's not in commercial quantities?

15 MR. EVERITTS: Yes.

16 CHAIRMAN CORY: And that will be monitored by the  
17 Division?

18 MR. EVERITTS: Yes.

19 MR. BELL: Okay, I have no objections.

20 CHAIRMAN CORY: Mr. Bell moves, I'll second, Item  
21 6(c) be approved. Without objection, such will be the order.  
22 Agenda Item 7.

23 MR. BELL: (a) requires approval and (b) doesn't.

24 CHAIRMAN CORY: 7(a), Water Injection Agreements.  
25 Any questions, Mr. Bell?

1 MR. BELL: No, I have not. I understand these  
2 are normal procedures.

3 MR. NORTHROP: It's ongoing water from existing  
4 fields.

5 MR. BELL: We are merely continuing the existing  
6 drilling.

7 CHAIRMAN CORY: Mr. Bell moves, and I'll second.  
8 Without objection that will be the order.

9 Item 7(b) is just the periodic report on subsidence.

10 MR. NORTHROP: Yes, the periodic report on sub-  
11 sidence.

12 CHAIRMAN CORY: We'll include that as part of the  
13 record.

14 7(c).

15 MR. NORTHROP: Indicates no subsidence over the  
16 last year of seismic activity we have recorded. No, there  
17 has been some subsidence.

18 CHAIRMAN CORY: 7(c) appears to terminal facilities  
19 effects of subsidence -- was that the subsidence recorded  
20 in the report?

21 MR. NORTHROP: No, this is the subsidence prior to,  
22 prior to our monitoring action.

23 MR. BELL: This is really maintenance.

24 MR. NORTHROP: This is really maintenance.

25 CHAIRMAN CORY: Mr. Bell moves --

1 MR. BELL: I have no problem with that.

2 CHAIRMAN CORY: Mr. Bell moves, I'll second. With  
3 no objection, such will be the order.

4 Item 8(a).

5 Mr. Bell moves, I'll second. Without objection,  
6 such will be the order.

7 8(b) is a request to modify a contract on heli-  
8 copters.

9 MR. NORTHROP: We have an existing contract, but  
10 that contract is tied to a particular sized helicopter.  
11 And we asked without changing the dollar amount in the  
12 existing contract, to be allowed to use a larger helicopter  
13 or one of a different size or configuration.

14 MR. BELL: So there's no additional cost?

15 MR. NORTHROP: No additional cost.

16 CHAIRMAN CORY: Mr. Bell moves, I'll second.  
17 Without objections, such will be the order.

18 Item 9(a).

19 MR. BELL: Oh, this is that Richmond --

20 MR. NORTHROP: This is a consideration of compliance  
21 by the City of Richmond.

22 CHAIRMAN CORY: The Attorney General's happy?

23 MR. NORTHROP: The Attorney General's happy.

24 CHAIRMAN CORY: Mr. Bell moves, I'll second.  
25 Without objection, such will be the order.

1           Item 10(a).

2           MR. NORTHROP: 10(a) and (b) can well be handled  
3 together. It's a disclaimer that we have any interest in  
4 two particular lawsuits. Whenever a lawsuit is filed, if  
5 there's a possibility we have a land concern in this, they  
6 name us.

7           MR. BELL: You then examine it and make certain  
8 there are no State lands?

9           MR. NORTHROP: Yes, we make sure there are no  
10 State lands involved.

11          CHAIRMAN CORY: Is that examination by title  
12 records or by physical inventory, or what?

13          MR. GOLDEN: By our own records. We check against  
14 our records.

15          CHAIRMAN CORY: Those are the ones, the records  
16 that we don't have.

17          MR. GOLDEN: Well, in these instances these parcels  
18 are well away from any that would be involved.

19          MR. BELL: No possibility that we could have them?

20          MR. TAYLOR: On one there is, but they've made a  
21 careful engineering study that it would be a minimum if we  
22 had any interest at all. It is not worth the cost of  
23 litigation.

24          MR. BELL: I'm satisfied.

25          MR. TAYLOR: It's a difference of approximately

1 about a foot, a foot or two. It's a question of a variation  
2 of a line.

3 CHAIRMAN CORY: Okay.

4 MR. BELL: I have no objection.

5 CHAIRMAN CORY: Okay. Mr. Bell moves, I'll second.  
6 Item 10(a) and (b) will be approved without objection. Such  
7 will be the order.

8 10(c).

9 MR. NORTHROP: Mr. Chairman, this is a bill that  
10 action and attempt to determine what geothermal really is.  
11 Whether it's a riparian right that belongs to the surface  
12 or whether it's a mineral right that is retained in mineral  
13 right retention. The State has attempted to retain mineral  
14 rights, and this retention feels that it has retained the  
15 geothermal rights. This bill is a backup case to another  
16 bill that is pending, another action that is pending. Mr.  
17 Shavelson, will you make your comments on that.

18 MR. SHAVELSON: As to this particular case, Bill,  
19 it's my understanding that in this matter the permittee's  
20 term had expired under the terms of his permit and he,  
21 under our arrangement since as Mr. Northrop indicated,  
22 it is presently undertain as to whether the geothermal  
23 resources are part of the reserved minerals owned by the  
24 State or owned by the surface owner. So the permittee would  
25 get a permit from both the state and the surface owner. This

1 permit from the State has terminated and he's gone on  
2 drilling. And so we're filing suit against him as indicated  
3 in the calendar, longer calendar item. We hope to consoli-  
4 date that as part of the overall suit involving State rights.

5 CHAIRMAN CORY: Any action required by us?

6 MR. SHAVELSON: Yes, sir. Ratification. The act,  
7 it was deemed the Staff and the Attorney General thought  
8 it would be desirable to take an action on file before you  
9 gentlemen acted and therefore we ask for ratification.

10 MR. BELL: I would agree with that.

11 MR. SHAVELSON: Thank you.

12 CHAIRMAN CORY: Mr. Bell moves, and I second.  
13 Without objection, such will be the order.

14 Item (d). Do we have any major litigation to  
15 be reported on.

16 MR. NORTHROP: No, other than what I covered in  
17 my earlier report.

18 CHAIRMAN CORY: Okay. Any other items?

19 MR. NORTHROP: The Attorney General apparently  
20 has something.

21 MR. SHAVELSON: Nothing at all, just before we  
22 close. Just for Mr. Pollard's benefit in order to sign  
23 that agreement, if he has a plane to catch. Are you going --  
24 I just want you to make a public statement that he could  
25 hear.

1 MR. NORTHROP: I've been instructed by the Commission  
2 to sign it.

3 MR. SHAVELSON: I mean, he's here today to sign it.

4 MR. NORTHROP: We will sign it at the conclusion  
5 of this meeting.

6 MR. SHAVELSON: Oh, I see.

7 MR. NORTHROP: We're going into Executive Session.

8 (Thereupon there was a short discussion off the  
9 record.)

10 CHAIRMAN CORY: Okay. Are there any other items  
11 to be brought before the Commission.

12 Okay. The Governor has left and rather than  
13 getting into that informative informational session with  
14 respect to litigation -- if he's not going to be there,  
15 I don't see any reason to proceed. Steve and I might get  
16 together and then Steve might talk to you.

17 Without objection we stand adjourned.

18 (Thereupon the January 30, 1975 meeting of the  
19 State Lands Commission was adjourned at 11:00 o'clock a.m.)

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1 State of California )  
2 County of Sacramento ) ss.

3 I, CATHEEN SLOCUM, a Notary Public in and for  
4 the County of Sacramento, State of California, duly appointed  
5 and commissioned to administer oaths, do hereby certify:

6 That I am a disinterested person herein; that the  
7 foregoing State Lands Commission Meeting was reported in  
8 shorthand by me, Cathleen Slocum, a Certified Shorthand  
9 Reporter of the State of California, and thereafter trans-  
10 cribed into typewriting.

11 I further certify that I am not of counsel or  
12 attorney for either or any of the parties to said meeting,  
13 nor in any way interested in the outcome of the cause in  
14 said caption.

15 IN WITNESS WHEREOF, I have hereunto set my hand and  
16 affixed my seal of office this 3rd day of February, 1975.



*Cathleen S. Slocum*  
Cathleen Slocum  
Notary Public in and for the County  
of Sacramento, State of California.

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