MEETING

CALIFORNIA STATE LANDS COMMISSION

Room 2170

State Capitol
Sacramento, California

THURSDAY, JANUARY 15, 1976 10:05 A.M.

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MEMBERS PRESENT Mr. Kenneth Cory, State Controller, Chairman Mr. Mervyn M. Dymally, Lieutenant Governor, Mr. Roy M. Bell, Director of Finance MEMBERS ABSENT NONE STAFF PRESENT Mr. Thompson Mr. Northrop Mr. Hight Mr. Trout Mr. Everitts

PROCEEDINGS

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 CHAIRMAN CORY: We'll call the meeting to order.

Governor Dymally should be joining us shortly, but we do

have some items I think we can go ahead and get started with.

Are there any corrections or additions to the

COMMISSIONER BELL: I have none.

minutes of the meeting of December 1st?

CHAIRMAN CORY: Hearing none, it will be confirmed as presented.

Mr. Northrop, may we have your Executive Officer's report?

MR. NORTHROP: Mr. Chairman, Commissioner Bell, this meeting will inaugurate a new format for preparing and presenting the monthly summary, calendar, and minutes of each Commission meeting. The new methods provide a more orderly calendar, one in which the numbers of the summary items correspond to the numbers of the calendar items that we discussed last month, making it a simpler process for all to follow. In addition, we have been able to achieve significant savings in postage, labor, and paper materials.

The next subject is the Tower Bridge Restaurant.

The California Department of Transportation is in the process of finalizing a lease with Sunstone International, Ltd., to construct a restaurant building on the upper portion of the

Tower Bridge in Sacramento. Because the restaurant would be, essentially, over the Sacramento River, CALTRANS has approached staff for consideration of such an arrangement.

Under the plan, lease rental terms to the State are being discussed in the amount of \$450 per year minimum for the commercial lease, plus one half percent of the restaurant's gross receipts.

If you have no objection to the concept of having a public restaurant on the Tower Bridge, I will instruct staff to continue negotiations with CALTRANS in the hope that we can come back to you soon for approval of the lease terms. If you approve the concept, a proposed lease agreement could be brought before you within the near future for formal consent in compliance with all rules and regulations.

CHAIRMAN CORY: Is the total amount of the lease payment going to come to the Lands Commission or will part go to CALTRANS or what? Will it all go to CALTRANS?

MR. TROUT: We're going to share in the arrangements. They will be the primary lessee, but we will share, pursuant to these terms, with CALTRANS. And we think that the \$450 per year minimum and a half percent of the gross -- half of one percent of the gross receipts -- will provide the best return for the State. We don't own the bridge. The bridge is owned by CALTRANS.

CHAIRMAN COMY: How do you divvy up the split? It becomes an interesting point in terms of accounting, whether it goes in the gas tax fund, the highway fund, or the general fund.

COMMISSIONER BELL: I think they should have ten percent.

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MR. TROUT: It's about one fourth of the total revenue.

CHAIRMAN CORY: Will go which way?

MR. TROUT: One fourth will go to State Lands and three fourths to CALTRANS.

CHAIRMAN CORY: Probably won't balance the budget anyway. It's only because they're in hard times. We should have the right to renegotiate that percentage if they start to get fat again.

MR. NORTHROP: Last July the Commission authorized the staff to enter into a contract with Woodward-Clyde Consultants for the preparation of an EIR on Standard Oil Company's application to resume drilling operations off Summerland and Carpinteria in the Santa Barabar Channel.

The preliminary draft of the report has been completed and staff is currently reviewing the material.

Upon completion of staff review, revisions will be made, and the draft Environmental Impact Reports will be submitted

for your consideration. This should be sometime in March. The document would then be circulated in accordance with CEQA requirements. We would propose to hold a public hearing on the matter in late spring.

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"HAIRMAN CORY: Okay. Any problems?

MR. NORTHROP: Cession Legislation; we have received from the office of the Attorney General a draft of the proposed legislation to amend Government Code Section 126 concerning jurisdiction over federally owned lands in California.

The proposed amendment would allow the State to change its exclusive jurisdiction over such lands to a jurisdiction that would be concurrent with the Federal Government, except in certain cases. Authority is also provided for the State Lands Commission to limit cessions of concurrent jurisdiction. Such limitations would be specified and made part of the Commission's orders and resolutions.

Our staff will be working with legislative staff on introduction of a bill to accomplish these purposes.

In response to the Commission's request for an analysis of the SOHIO proposal to transport Alaskan crude oil from Long Beach to Midland, Texas, staff has prepared a preliminary report which you have before you.

This document is the initial portion of a more

comprehensive report which considers California's total ability to import, refine, and transport crude oil and natural gas coming into the State from Alaska and foreign sources. The more comprehensive report will be submitted to you next month.

CHAIRMAN CORY: Okay. Clarify -- I believe that was -- this is a result of my question?

MR. NORTHROP: Right. It really wasn't a very simple answer, though.

CHAIRMAN CORY: To further complicate your life, if you will check, I do not believe I mentioned SOHIO, but I think that we've got to look at what all of them are wanting to do, vis-a-vis what the total possibility from that line would be so that we've got SOHIO's increment; we've got ARCO's increment.

MR. NORTHROP: The comprehensive report will cover not only all those, but natural gas as well. The SOHIO increment really is a comment on SOHIO's report and some conflicts that we see and some questions that we raised in this report; and we are submitting it to the legislative ad hoc committee on energy.

Mr. Chairman, when the commissioners reach
Calendar Item 4 I would like to make a preliminary statement
concerning that item as well as five, six and seven on
granted lands.

That concludes my report.

CHAIRMAN CORY: We'll proceed to the first item.

Mr. Dowrelio, is that correct? Senator Nejedly,
I believe, wants to address the Commission on this. It's
a reconsideration of Commission action on a permit, and
I believe the point of contention relates to the royalty on
the spoils for the dredging.

SENATOR NEJEDLY: Thank you. Mr. Cory, Mr. Bell, I'll just make a brief statement referring not in any sense of sympathy to this particular situation, but to the real circumstances in which this operator finds himself today. I believe you have made an examination of the income and expenses of that particular operation, and that may be available to the Commission, so I won't refer to it directly.

I can only say in a broad sense that this is an absolutely marginal operation at this harbor on the San Joaquin River just east of the Carquinez Bridge, and a visit to it would confirm not only that, but the fact that it would be amazing that the operation is even in existence today. It is only really because of the personal interest and continuing involvement of the owner,

Mr. Dowrelio, who is here, who is now 87 years old; and it's only because of his personal contribution that this is a viable economic operation at all. You realize, too,

that the income to the State has been made over the years of the lease with C & H Sugar Company and directly to the State. Those are substantial; at least they're in excess of \$2,000 a year.

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In addition to this, he has a \$1,200 yearly charge from the Southern Pacific Company for parking facilities. This operation, by the way, requires passage over the Southern Pacific main lines at Crockett, into the facility. It's obviously one that has no large public demand. It's one that has — really, if you started out today, it simply wouldn't fly. It's only continued in operation because of the historical attachment of that area and the old-timers who continue to use it.

Now, in view of this whole economic picture, the precise — to which I presume is available from your own audit of the income and expenses of it — to suggest to him at this time that he pay to the State an additional amount simply to dredge from that harbor the increment of debris and other materials, particularly silt, that flow into that harbor from the river and to charge him for removing that silt from his own small tidal basin and replace it into the river from which it came, simply will make this operation economically unfeasible. And we just simply, in a more precise sense, have killed the goose who lays the golden egg. And while we share — and I'm sure we all share — the

interest that you have in getting as much income to the State, I think a real reflection on the marginal nature of this operation would suggest to you that to charge him for taking out of his basin that silt that comes from the river and replacing it back in the river simply isn't in the cards. And to just put it to you, not in any particular consideration for Mr. Dowrelio, but simply from the facts of this case.

He's a small operator. He's just been able to barely maintain that harbor under the present circumstances. He's paying to the State over \$2,000 a year for the use of this facility, and to add to that burden a charge to place back into the river the silt that the river deposits in his harbor will simply push it over the edge, and then the State Lands Commission has lost everything.

Mr. Dowrelio's engineer in this project is here and can answer any more precise details. But all I can tell you is that I've known Mr. Dowrelio for many years. I know his relationships with the bank. He has to finance that through a loan. He simply can't do it through income, and adding to the costs of the loans that required for the dredging and then to add to that a charge for the materials themselves, which are very insignificant in this total picture of the river -- and by the way, the debris is only going back to the place from

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consider very carefully, and I'd appreciate your doing that.

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impressive and profound, Senator.

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Thank you, gentlemen. COMMISSIONER DYMALLY: Your testimony is

SENATOR NEJEDLY: Well, thank you. Now, what is the effect of it?

which it came -- it's simply one, I think, that we should

CHAIRMAN CORY: Can we get from the staff some of the problems in terms of where do we find ourselves in this difficulty?

MR. NORTHROP: Mr. Everitts, do you care to address yourself to that?

MR. EVERITTS: The theory that we're operating under is that if there is any economic benefit from the dredging, then we felt that the State should share in the economic benefits of the dredging. Additionally, it's our theory that much of the natural accretion that is occurring in the San Francisco Bay is largely due to, we think, indiscriminate dredging and indiscriminate spoiling. We're not in agreement necessarily with the Corps of Engineers or EPA's theories on dredging. We think the State is actually suffering damage at this point by losing lands due to accretion. That's the only reason we think the State should share.

CHAIRMAN CORY: So I can understand that point,

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 we put it out so we can deal with it in terms of what the public policy issues are, and see if there is a way to somehow come to solve Mr. Dowrelio's problem and protect the State's interest at the same time.

SENATOR NEJEDLY: Can I respond to that, Ken?

CHAIRMAN CORY: Let me try and understand what you are saying. You're saying that by dredging it out of there and spoiling it back into the river, that there's a combination of people doing this sort of thing up and down the river and the Bay, causing accretions to which we start losing title to property. Is this what you're contending, or what is the counter theory?

MR. EVERITTS: Rather than try to discuss title problems -- I don't want to get into that, but it's a fact that we are losing land that isn't submerged anymore because it's becoming land. We're saying that -- we are proposing -- we're in the process of preparing a report that proposes that certain dredge sites be established where we propose to actually build islands for, perhaps, recreational use in the future, State-owned land. We think that this is the actual -- more sediment is coming into the Bay than is leaving the Bay.

CHAIRMAN CORY: Well, is there a possibility of where, rather than spoiling this back into the stream, that this spoil could be used to the benefit of the State in a

specific practical application?

MR. EVERITTS: Long-range, this is what we would propose. It is a fact that this material is not high grade fill material, so it's not desirable to put it on the uplands. It's a fact that if they barge it away to Alcatraz, for example, it's going to cost them four or five times as much to do the dredging. In fact, if they even spoil it in the immediate neighborhood, it's going to cost two or three times as much. And this type of disposal is an experimental method in which they intend to dispose and spoil back into the streams.

They're going to clump it on the ground, and then they're going to dump it back into the stream, just put it back into the Bay and into the river. Put it in the same stream.

MR. TAYLOR: Mr. Chairman, can I clarify one thing? It would not be our position as a general proposition that any title would be lost one way or the other by the activities of man. I think that one other explanation has been given for the policy of the Commission. In addition to the fact that economic benefit gained by the person who does the work is the fact that we don't know all the effects that this will have on redischarging it or redistributing it into the system and whether or not it will be necessary for some other public agency or someone else

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further down to further relocate this material.

So those are the two bases upon which the Commission policy, as I understand it, has been adopted; but title is not one as a general proposition.

CHAIRMAN CORY: An act of man does not affect title, but when you dump it into a river, when does that act of man get lost and become a natural act?

MR. TAYLOR: That may raise some title problems further on, but as a general proposition, at least in the immediate area, I agree with you. As you get further away, you have more and more problems in distinguishing between artificial and natural use. And I don't know the answer to your question in the abstract.

CHAIRMAN CORY: Senator?

SENATOR NEJEDLY: I'd only like to respond.

First, interestingly enough, just a short ways upstream from this site is the Martinez Yacht Harbor, in which the State has invested over a million dollars. They do dredging and to develop a facility for public use at tremendous public expense; and more expense, by the way, than the public use has generated.

Now, here we have a facility downstream which is suffering from the same circumstances. He isn't doing anything to cause this silting of his own harbor. The silt comes from the river and in part the silting occurs because of

the obstructions to the flow of the river which slow the river, which when its velocity slows then deposits out the silt that would otherwise have been carried down the river to the same place it's going to go if it's allowed to silt-up, is picked up and placed back in the river from which it came. He's doing nothing in the environmental cycle that wouldn't be done if his harbor were not there.

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So what he's really going to tell you, "I want to do something here at my own expense to redeposit back into the stream this silt that's being deposited in my harbor. If I don't do this and the harbor becomes silted -- in fact it has become silted to the point where it can't be used -- I can't use it for a harbor and then I can't pay you the rent."

And that's the whole ball game, so it seems to me rather strange that under all of these collective circumstances that the State would say, "We're going to charge you to remove the silt that allows you to keep the harbor a viable harbor so you can pay us the rent for its use."

CHAIRMAN CORY: The thing I got from the staff was that, perhaps, is no one -- by putting a fee on the spoilage you try to force people to deal with the question rather than dumping it back into the river, force the issue of trying to find a specific place to place it.

And further down the river or someplace else in the Bay, if this silt is pulled out there, it's going to be somebody else's problem further downstream, and they're going to have to dredge it out. And if we could stop all of that, maybe we wouldn't have those problems and nobody would be silted.

SENATOR NEJEDLY: That's fine. We'd be very happy to find other circumstances, but BCDC won't give us the other alternatives, so that's the only place you can dump it at this time. If you have some facility somewhere in the Bay in which you want this silt deposited for some reclamation purpose, we'd be very happy to do it, but that isn't the case at the present time.

And these downstream people -- and they're very conjectural by the way. Nobody's identified and nobody's identified the effect of this silt on anybody downstream, but let's assume they exist. They would be receiving it anyway if his harbor weren't there, because his harbor, in part because of its physical impediment, is, in part, creating the problem by the slowing down of the stream and the deposit of the silt by reason of the reduction in velocity.

If the river were going by there in its normal velocity, it would be carrying this silt, and wherever it's going is a place to which it would have gone in any case.

So who's affected downstream? The silt is in the river. The river is slowed down, and it deposits in Mr. Dowrelio's harbor. He picks up this silt and puts it back into the river. The downstream person has only been affected in terms of ay. He gets it a little later than he would have originally.

He's not depositing any silt, and he has no other place to put it. BCDC will provide no other site. We've made application. We've tried on land fill; we've done everything, but BCDC doesn't want that done. It doesn't want anymore filling in that area. Now, maybe you can convince BCDC they're wrong, and they'll give you a site for fill. If they do, we'd be glad to put it there.

can take this silt out from there and put it anywhere else. Now, I've been down there at times when this harbor is at a point where people have to run their boats through mud, and the motors are turning the propellers through mud. Now, those people are paying berthage. That berthage fee accumulates into a point from which he can pay you rent. If that gets — and they only stay there simply because of habit. Nobody would go down to that harbor and rent one of those berths looking at that mud in that basin. No way. People that are there have got historical attachments, and they're willing to put up with it, but nobody else will do it.

And if you lose those, what have you gained? You've lost the whole lease.

CHAIRMAN CORY: But in terms of the general principle, how -- where do we hang our hats to grant this exemption and not be required to grant exemptions to everyone; or should we change our general policy?

SENATOR NEJEDLY: I don't mind the general policy, but sometimes we have to rise above principle, and this is the sort of circumstance maybe in which we should. I think the difference here -- now, I'm trying to look at it from your point of view in answering the question for you. I would say if you've got a circumstance in which some person is doing an act which makes it possible for him to remain in business, so that he can pay you rent for that harbor, you have the exception that could apply to any similar circumstance anywhere with an appropriate justification.

what you're saying to him is -- let's turn it around, and let's say that you agreed to give him a viable harbor. In order for him to use it he'd have to have the silt removed. Then it would be your responsibility to come in and do it; and if he did it, then what would you do? You'd be doing exactly what he's doing, only he's asking for you to do it because very frankly -- nobody's trying to show you on this thing. We invite you down.

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I'm sure your staff has seen it. If this silt is not removed, he's out of business period. And you're losing over \$2,000 a year in income; and the State and the County is losing the income that they receive from the taxes.

this very seriously -- that adding additional burgen -- if you were to increase the rent a thousand dollars a month, he's have to bail out. He couldn't survive, so he's saying to you, "I can't afford to pay you anymore rent. I have to remove the silt. I just can't pay the additional charge you've imposed to rehabilitate the harbor so I can pass my rent to you."

And I don't think this situation applies anywhere else. If it does apply anywhere else, the philosophy of it should be equally applicable there. I wouldn't have any moral problem in adjusting this situation to your principle.

COMMISSIONER BELL: Mr. Chairman, I acted as Chairman at the meeting that this item was originally acted upon, and at that time --

CHAIRMAN CORY: You can't get rid of any problem, can you?

COMMISSIONER BELL: At that time I assumed, and I think I'm correct, that this is considered an experimental disposal and as such does not commit us to future projects

in advance. Also, at that time we had no information at all as to the operating costs and the problems that Mr. Dowrelio has that are now available to us. And to that extent, I find my position much more influenced towards permitting the dredging without charging of the spoil costs, or the ten-cents-per-cubic-yard cost on it.

CHAIRMAN CORY: Based upon the experimental nature and the public good to be gained from the results of the experiment?

COMMISSIONER BELL: Correct.

CHAIRMAN CORY: Can we -- is that a defensible position, Counselor?

MR. TAYLOR: Yes, Mr. Chairman, it is.

CHAIRMAN CORY: Mr. Dymally?

COMMISSIONER DYMALLY: Well, I'm impressed with the Senator's reasoning on this and I would like to resolve this matter so that we do not bring a hardship on Mr. Dowrelio.

CHAIRMAN CORY: On the basis -- your suggesting we take the basis being the experimental nature and ask the staff to get a report back as to the effects of this so we can use that for information on future applications?

COMMISSIONER DYMALLY: Yes.

COMMISSIONER BELL: By acting on this application we are not making a commitment as a precedent

toward any other action we take.

CHAIRMAN CORY: Okay. Mr. Bell moves,
Mr. Dymally seconds, that the action be reconsidered and
the ten-cent-spoilage fee be eliminated for the public
good being served in terms of the experimental nature, and
the staff is instructed to monitor the project so that
we have the necessary information. The motion is seconded.
All those in favor signify by saying aye.

COMMISSIONER BELL: Aye.

COMMISSIONER DYMALLY: Aye,

CHAIRMAN CORY: Opposed?

That will be the order.

SENATOR NEJEDLY: Thank you, gentlemen.

CHAIRMAN CORY: Thank you, Senator.

Item Number 2. Mrs. Perry, who was before us previously. Where are we on Mrs. Perry?

We had a question, as I recall, concerning some prior litigation. Can the staff fill us in on that?

MR. NORTHROP: Yes, Mr. Chairman. Mr. Hight, staff counsel.

MR. HIGHT: Mr. Chairman, there was, in fact, some liwigation between the Division and Mrs. Perry in 1956. That litigation was resolved and a lease was issued by the Commission to Mrs. Perry. The lease has now terminated, and the Commission may act on Mrs. Perry's

lease renewal. And there were no provisions, in the original lawsuit, which specified lease terms.

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CHAIRMAN CORY: Okay. Mrs. Perry. Or before that, what is the question? Is it insurance that's the problem?

MRS. PERRY: Well, we were discussing whether I was happy or not with everything, and you wanted me to come back and tell you about things. I don't want to get into legal terms again about things being in the judgment or the lease being in the judgment because it wasn't. It was a separate deal. And I just came to tell you how this renewal of my lease which was for ten years has now been changed to five years; and if it's like this time, I don't want it that close. I want it by ten years which it says I can have.

And you've changed the lease. You've added the insurance, and then I went to Mr. whatever his name was — Mr. Ward came down, got me some changes to the lease. And I went over it last night and I'm supposed to have two changes here. I find the language is changed quite a bit. I think some attorney improved on the situation a little bit, and I feel that I don't have the ability to go over this now. And I saw how well Mr. Dowrelio was represented. I think I better go to my senator and see what he can do for me.

COMMISSIONER DYMALLY: Who is he?

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MRS. PERRY: Mr. Nejedly. Oh, no. My senator is not Mr. Nejedly. I'm Mr. Dunla ; I've been moved around.

COMMISSIONER DYMALLY: He's just as good.

CHAIRMAN CORY: He may even be better.

MRS. PERRY: I feel that I'm not equipped with all this legal --

CHAIRMAN CORY: What are the points that disturb you in terms of the length of time? Do you want a ten-year lease?

MRS. PERRY: Yes. I had a lease. A lease to me is something special. You either rent by the month or you get a lease. Is that true? Mine comes in ten-year periods, so now I get a renewal here that's up -- dates changed, and every fifth anniversary -- and then this little line: "And at such other times as hereinafter specified."

To me that's any time: Tomorrow, next day.

It's very vague, and I think these things are not for people. I think this should be permit, and all this complicated stuff is not for me to read because I don't understand it. And if I'm going to have something like this to read every five years I have to go get an attorney or see my Senator. I'm confused. This is far above the people you're serving.

CHAIRMAN CORY: I would imagine that most people who see their government representatives every five years are

confused, and I'm not so sure it should be recommended that they do it more frequently.

MRS. PERRY: Well, changing the rent, I can understand the big inflation they have. And if it's reasonable, I'll go along with it, which I didn't object to. The insurance I objected to because it seemed to be unreasonable and I didn't like to get in any more areas. And every time I asked what it was for they told me that some boat is liable to come up and hit my dock and explode, and the State would be liable.

Now, the State owns a lot of the property, the bottom of the river. I have this little dock way out. I have a permit for it. If some boat comes up and hits my dock and damages it, I'm going to sue that man. He's not going to sue me. What's he doing over there hitting my dock when I'm not in the channel? It's like a telephone pole to me on the side of the road. If you hit it, it's your fault. And I don't see where the big liability comes in for insurance.

And I see with all these changes, two days later you can say to me, "Okay. You're insurance goes up again." I have no security. These don't do anything for me.

MR. HIGHT: Mr. Chairman, may I point out here that these rents -- the insurance provisions are in accordance with the Department of General Services provisions,

and they have surveyed all applicable similar facilities and have determined that this is appropriate.

CHAIRMAN CORY: The same insurance requirement is on all of Mrs. Perry's competitors?

MR. HIGHT: Yes.

MRS. PERRY: I have never yet heard of one case -I've asked -- where they've gone after the State in a
similar situation.

COMMISSIONER DYMALLY: Mrs. Perry, General Services charges us high remt and insurance.

MRS. PEKRY: Well, it just -- what is to stop you from making this lower?

COMMISSIONER DYMALLY: I have to pay rent to General Services, and I have no control over it. I protested it. It's awfully high. I wish I had some way of not paying the rent, but that's the law. And this Commission on that question. can't be of much help to you. As a matter of fact, I wrote the Director of Finance protesting my high rent.

COMMISSIONER BELL: And you got no sympathy.

MR. TROUT: Mr. Chairman, I think I'd like to make a couple of points on this lease just so that we can understand a couple of things.

One is Mrs. Perry's lease expired. She has no lease and has not had since 1972. She's been occupying

State-owned land. She does not consider herself a trespasser, so let's just say she's been occupying State-owned land without a permit since 1972.

This is a new lease. It runs for ten years with an option for her to have another ten-year lease, so she has a lease with an option totally on her part to renew the lease if she wishes. The lease has the usual Commission provisions requiring rent review at five-year intervals.

Now, there is a special provision in Mrs. Perry's lease and in other leases in the same area so that -- a number of leases were entered into over a period of time, and many people said, "Well, I'm at a disadvantage over my competitor who got his lease two years ago." And so the Commission established a policy of adopting rent review for areas. The area in which Mrs. Perry is, the rent -- the areawide rent review becomes effective on April 27th, 1976. So she has in her lease provision for the Commission to establish a new rent in 1976 and at five-year intervals throughout the lease term. It just so happens that it occurs four times within her lease period.

Now, the other thing is the insurance. The insurance has been adjusted, at the request of Mrs. Perry, slightly in a total reevaluation of the risk at her place. It has been reduced to the amounts now shown.

The third thing is, as Mr. Taylor and other representatives of the Attorney General's office can assure you, that the State has frequently and regularly been sued because of things occurring on the State tidal submerged land. So it is the rest of the 20 million citizens of the State that are being protected through this incurance.

MRS. PERRY: Some of the things he says are true, but when he says in the area - we're all different in that area. Some of us are big people, some of us have restaurants and bars, and some of us have just a gas stop. We're not all the same kind of people.

CHAIRMAN CORY: The thing that I'm somewhat reluctant to say is whether or not we should go ahead and take action at this point, or whether or not we should wait for you to be represented.

MRS. PERRY: I think you should wait for me to be represented, because I'm very unhappy about it.

COMMISSIONER DYMALLY: Understand that your situation may not be similar to that of --

MRS. PERRY: Mr. Dowrelio? Oh, yes, we're all in the same situation. We all have to dredge, and it's all because of the many dams that have been put in and the flow of the river's been stopped. Georgianna Slough was considered a very nice place to be because we did have that.

There was a lot of current there. Now we we the filling in.

COMMISSIONER DYMALLY: I would move postponement of this item until next month.

CHAIRMAN CORY: Okay. Without objection -MR. TAYLOR: Mr. Chairman, I want to point out
the facility here is a gas stop, and under those circumstances
I think that the -- and the liability insurance has been
reduced to the least possible amount consistent with General
Services regulations.

CHAIRMAN CORY: Without objection this item will go over until next meeting.

Item Number 3.

MR. NORTHROP: Mr. Chairman, you have before you and the other members do -- a report on the use and development of administration of granted tidelands. The report is really in two parts, and Mr. Trout's section prepared the report. I'd like to have him address you on it.

MR. TROUT: You have a black report on your desk. It's rather thick. It involves white pages and blue pages.

Last month the Commission approved a report regarding the environmentally significant lands under the Commission's jurisdiction. The legislation that required that

report also required the Commission to make two other reports. One on the stewardship of the grantees of tide and submerged lands: How well they did; whether they were complying with the general tideland trust; whether they were complying with the terms and conditions of their grants. And the second report was a report on the environmentally unique, or environmentally significant lands within grants.

The first report, which constitutes the white pages, is the report on stewardship which we asked the Commission to adopt. The second report is a draft which has to be submitted to the Gouncil on Intergovernmental Relations for approval of measures to permanently protect these environmentally significant sites.

The concern that we in the staff would express to the Commission, and is followed up in the report by the suggestion of legislation, is that 18 of the 64 grantees either did not or did not fully comply with the legislation on the report on stewardship. Four did not reply at all; one of them being the City of Carlsbad, which is on the agenda later. And half of the grantees did not reply concerning — or did not comply if they did reply — to the environmentally significant lands.

We think this is a terribly unacceptable level of stewardship and accountability on the part of grantees,

and the recommendations in the report are such that the legislature might consider these points and take corrective steps. And Mr. Northrop has also, I think, got some information about a conference he proposes to have with the grantess this spring.

CHAIRMAN CORY: Mr. Northrop?

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MR. NORTHROP: We are proposing to have in late spring a conference with all of the grantees as to their responsibility and also our responsibility to the State lands of the State of California in regard to their grants. We're hoping in that conference, which we hope — it's my hope that all the members of the Commission will take an active part — we'll be able to outline these responsibilities.

CHAIRMAN CORY: Are the other members ready to adopt the first part, the white portion?

Mr. Dymally moves; Mr. Bell seconds. Without objection, such will be the order.

And the blue portion will be submitted to the Intergovernmental Council?

MR. TROUT: If you approve the draft, we will send it and it will come back to you.

COMMISSIONER BELL: With the stipulation it goes to them and comes back.

CHAIRMAN CORY: Without objection, such will be

the order.

MR. NORTHROP: Mr. Chairman, before you get to the next item I have a telegram directed to the Commission from Mayor Robert Frazee of Carlsbad.

"The City of Carlsbad requests 60-day extension of calendar item -- the consideration of substantial compliance, City of Carlsbad" -- which we have as Item Number 4.

"The administrative error precluded earlier determination. Additional time is needed for the City Council to reach decision on retention of submerged land in Carlsbad. Immediate investigation will begin with State Lands' staff and City determination within 60 days."

I also have in my possession a letter to Mr. Roy Bell, member, and to the Chairman of the State Lands Commission from Senator John Stull expressing the same request.

CHAIRMAN CORY: Okay. The question is whether or not we can put over the City of Carlsbad. It doesn't jetardize our legal position?

MR. TAYLOR: No. CHAIRMAN CORY: Mr. Taylor says no. 3 COMMISSIONER BELL: If no problem, I therefore 4 move it be put over 60 days. 5 COMMISSIONER DYMALLY: Second. 6 CHAIRMAN CORY: Without objection, we will put 7 the item over for -- can we put that over to the March 8 meeting, rather than a specific 60 days? 9 MR. NORTHROP: Yes. It can go to the March 10 meeting. 11 CHAIRMAN CORY: Okay. Without objection, such will be the order. 12 13 MR. NORTHROP: Mr. Chairman, out of five, six 14 and seven, I think we can handle as a unit, on the City of 15 Crescent City, Crescent City Harbor, and Noyo Harbor. They 15 have complied substantially. 17 CHAIRMAN CORY: Okay. They're in compliance. 18 Do we need action on any of those or just a report that can 19 be accepted at this point? 20 MR. NORTHROP: Just that they have substantially 21 complied. 22 MR. TROUT: Action is necessary. 23 CHAIRMAN CORY: Action is necessary that they have 24 substantially complied. Without objection, such will be 25 the order.

Item 8.

MR. NORTHROP: Mr. Chairman, this is a large piece of property in Lassen County for a proposed disposal site. Mr. Trout's unit again worked on this problem.

MR. TROUT: Introduction of this item is that in the Public Resources Code there's a section which allows public agencies to request withdrawal from sale for two years of State school land where it appears that public use is possible. In 1967 the County of Lassen requested that the approximately 4300 acres shown on the exhibit following page 23 be withdrawn for two years.

Within a few days thereafter, they actually applied to purchase the land, made a deposit. The lands were appraised, and in 1968 Lassen County was advised of the price of the property. They had 20 days to accept the bid or the matter would be rejected. They requested thereafter that the matter -- they be given more time to evaluate it, and the Commission gave them until July of 1968.

Since that time no action has occurred. The reason the item came to the staff's attention is that, as you know, we are preparing an overall evaluation of all of the State school land holdings, and this is one of the few large blocks of land that the State had. There are several others, and we believe that where there are purchase applications, these applications should be reviewed and

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considered in terms of what the Commission might do.

At the time we were preparing this, we became aware that the project for which Lassen County had originally requested the lands is coming to light again. It involves the removal of collected rubbish in San Francisco, transportation of that to this site, and disposal at the site. And there are gentlemen here representing the various parties involved. The City and County of San Francisco, the various rubbish collection agencies and the County of Lassen.

That's really the overall picture. It has —
the property has, using both sides of the railroad,
approximately six miles of frontage. It's east of
Susanville, southeast of Susanville, along the Western
Pacific Transcontinental main line.

COMMISSIONER DYMALLY: Mr. Chairman, what this brings to my mind is the fact that we are disposing of refuse from San Francisco all the way to Lassen. It seems to me that at some time either this Commission or the Waste Disposal Commission ought to be looking at proper conversion of this refuse into some form of energy to obviate the necessity of using the land one, and the energy to get it up there.

No reflection on Lassen. It just seems to me we need to be thinking about some kind of plan for the proper

conversion of this waste material, and I'm hopeful that at some subsequent date I will have an opportunity to discuss with staff some proposals that we could present either to this Commission or the Waste Disposal, or the legislature about this matter.

And while on this subject -- it's sort of indirectly related -- I'd like to get a brief summary of the discussions being held with Mr. Zarb because I think that additional revenue might influence my recommendations to the Commission.

CHAIRMAN CORY: Okay. We have Mr. L. J. Bingham, member of the Board of Supervisors in Lassen County, and Mr. Uptegrove.

MR. BINGHAM! As has been stated, Mr. Chairman, the project is being reevaluated, and there is a great deal of interest on the part of San Francisco and the scavengers in the San Francisco area. As you well know, there is approximately 2500 tons of refuse generated in the City of San Francisco which, of course, has to be disposed of in some manner. Relative to Mr. Dymally's question of converting this into energy, there are projects presently on the board, but they are not complete at this moment — at least we're not being able to determine in that direction and the energy project, of course, is not a solution to the problem. We have to look to land-fill operations to dispose

of this material, this mountain of material, that's generated in the City of San Francisco on a daily basis. It's a good project, and it will serve the interests of hundreds of thousands of people throughout the State of California, particularly in the Bay Area.

Now, on that basis we are asking -
COMMISSIONER DYMALLY: When you say it's going to serve hundreds of thousands of people --

MR. BINGHAN: In the Bay Area. There is enough land there, Governor, to service many hundreds of thousands of people, really, for this type of service.

Now, the problems have not been worked out. Now, you talk about some kind of an energy project. I'm sure it would be agreeable with the people involved that they would put, perhaps, a methane gas producing project in there that would convert some of this material to energy. There are many projects on the drawing boards that could be applied to this project, and it could help Lassen County in large measure from a revenue standpoint.

It's our understanding that these people who are now providing that service in the Bay Area are desparate, really, looking for a place to put this material, and their hands are going to be tied. Somewhere along the line the needs of the people of San Francisco must be dealt with, and we feel in Lassen County that we have an answer to those

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problems, but we need time to work out these problems that confront us. We have asked verbally for a reappraisal on that property. Subject to that, then, we will be in a position to, perhaps, purchase these lands from the State. In that way, those lands will then go back to the tax rolls, will be a benefit to the State, will be a benefit to the County of Lassen. We can proceed with the project —

CHAIRMAN CORY: How do they get back on the tax rolls if the County purchased them?

MR. BINGHAM: Well that can be worked out. That's an arrangement that we're working on. Perhaps revert to a private industry.

CHAIRMAN CORY: I've got some problems if we're using a Government Code section that allows a public agency to purchase the land and you're telling me that's just a mechanism to allow a private company to really purchase it.

MR. BINGHAM: This is a possibility, Mr. Cory, that we're working on, and it will take legal requirements and legal expertise to solve the problems. Perhaps this is not the way to do it, but nevertheless, it could provide a business.

CHAIRMAN CORY: Mr. Taylor?

MR. TAYLOR: Mr. Chairman, I believe that this is

a housekeeping item that is on the calendar for today, is a consideration that the time has expired for the consideration of that application. That in any event, this process would have to be reinstituted and the entire matter evaluated from the comments of Governor Dymally to the other comments that members have made as to whether we want to lease this and not sell it, or what we want to do.

In any event, the time expired at 5 p.m. on
July the 15th, 1968. This is an item to close it out.

We're free to reinstitute the procedures again at any time.

It's clear that we're not going to sell this property

pursuant to a 1968 appraisal. The process has to be started

over again. I think assurances can be given to the

gentlemen that all consideration would be given to any

proposal that they have. It's not that this property is

going back to be immediately sold to somebody else. We don'thave an applicant at the present time.

CHAIRMAN CORY: Lassen would not be adversely affected, and you're telling us that legally this is perfunctory and there's nothing we can do about it one ay or the other?

MR. TAYLOR: Yes. It's just a housecleaning item to close off the book so there isn't any further debate on it. But the time has to have expired. We couldn't possibly

sell this property at a 1968 price at this time.

MR. BINGHAM: We're not asking that. We have made a verbal request for the State Lands people to reappraise that property.

CHAIRMAN CORY: But the question, I think, if
I understand what Mr. Taylor has said, is that where we are
at legally on this item, is that what has happened, happened
in 1968, and this is a housekeeping function. If the
County of Lassen has an interest in this, they're going to
have to file a new application in any event, and we would
welcome that application whenever you wish to put it in.

MR. BINGHAM: Does that mean, Mr. Cory, that our application would be accepted and a reappraisal would be --

Whether or not you would have the land is another totally open question, but when we go through a series of steps prescribed in terms of the new appraisal, the staff would make recommendations; the Lands Commission would decide whether or not they wanted to. And one of the questions which Merv raises is whether or not we want to encourage a land-filled operation or encourage alternative use methods. And that's one of the problems you may have, and I think Merv was sort of putting you on notice that he has some serious questions. I think that was the purpose. You may not

be able to get it, but that would --

COMMISSIONER DYMALLY: I think the other point that Counsel raises is the leading one. I take it you are saying that this has to start from the staff level before it even comes up here for consideration.

MR. TAYLOR: I believe so, Governor. The situation is the time limits given in the State have expired and the process would have to be restarted. No one is applying for that property now. And the County would not be adversely affected by a reinstitution of the process. The application is a fairly simple item, and the reappraisal would be a very simple item. No one is seeking to take this process. As I understand it, we don't have any other applications for sale.

MR. NORTHROP: May I assure the Chairman if there was another application from someone else which would apply to it, we would advise Lassen County and give them the opportunity to come in and object to another application.

MR. TAYLOR: I think this is posed at the top where it says that any consideration under that application is dead by working with the statute. The time limits have run, and I think in order to have fair market value or to consider whether we want to sell it at all -- I mean, there has been some concern expressed by the legislature to look at this whole question of these lands.

So you've got that whole panorama which has to be reweighed in light of changed circomstances since 1968.

And this just closes that out, but it doesn't in any way adversely affect Lassen. We're not disposing of the property.

It's still State property.

CHAIRMAN CORY: It will be there; the process will have to be reinitiated, and there are -- I think the point you wanted to make is be sure you clearly understand there have been changes in attitudes since 1968 and some questions are likely to be asked in 1976-77, whenever you get the application in, that would not have been asked in '68, but that we have been told by counsel that we have to go ahead with this item and we'll keep you posted. If anybody else comes in, the staff will be in touch with you forthwith, if somebody else tries to short-circuit you.

MR. UPTEGROVE: I think our position is now that we would like to reapply, and we will contact your people forthwith and reapply and ask for the reappraisal.

CHAIRMAN CORY: Okay. Fine. Without objection we will exercise the termination as prescribed by the statutes.

Without objection, such will be the order.

Item Number 9.

MR. NORTHROP: Mr. Chairman, Item 9 is a two-step operation. First, it authorizes us -- authorization to accept

grants of portions of granted lands in Orange County and Upper Newport Bay, and then the permission to lease the lands to the Department of Fish and Game for an ecological reserve or wildlife refuge.

CHAIRMAN CORY: Okay. Governor Dymally moved, Mr. Bell seconds. We will accept the grant and lease it to the Department of Fish and Game.

Without objection, such will be the order.

Item 10, we're ceding concurrent jurisdiction of the Federal Correctional Center in San Diego.

MR. NORTHROP: That's correct, sir.

COMMISSIONER BELL: I was just struck with the anomaly of what duties we have as the State Lands Commission. We will approve the cession of something right in the middle of San Diego.

COMMISSIONER DYMALLY: The other question to that is did we own the land?

COMMISSIONER BELL: No.

MR. NORTHROP: No. We don't own the land, It falls in our area of jurisdiction. All cession of jurisdiction is by code our responsibility, your responsibility.

MR. TAYLOR: This gives the Federal Government the authority to enforce criminal laws within the prison. They have a prison at this facility, and if there is a

ownership of the property, then local authorities have to be called to the prison. And this is to give them the authority to deal with any kinds of events happening.

COMMISSIONER DYMALLY: Counsel, can we stall this until Zarb talks to us?

CHAIRMAN CORY: What do you mean not connected with proprietary interests?

MR TAYLOR: Well, they have certain regulatory rights, certain laws with regard to damage to Federal property and so on. But as far as crimes between people are concerned, they have no jurisdiction without this cession.

CHAIRMAN CORY: Two prisoners, one kills another one.

MR. TAYLOR: Well, they would have jurisdiction over the prisons in disciplinary matters, since they have been in custody. But let's say that a prisoner and a visitor or certain crimes such as murder between prisoners, that would be a different degree than just disciplinary. There are certain practical problems involved in bringing in local police into a highly regulated facility such as this.

CHAIRMAN CORY: This gives concurrent jurisdiction?

MR. TAYLOR: Yes. The State would still have the power.

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24 25 CHAIRMAN CORY: If there was a corrupt operation federally, the State could move in and enforce --

MR. TAYLOR: Yes. We still have full power to enforce all of our laws.

COMMISSIONER BELL: In this particular and unique situation, I think I would recommend we do this. I don't think this goes nearly as far as we were talking about on our prior ceding of jurisdiction.

CHAIRMAN CORY: Without objection we will cede jurisdiction to the feds in that item.

Item 11.

MR. NORTHROP: Mr. Chairman, Item 11 is for a rip rap shore protection and an erosion control in San Diego Unified Port District.

CHAIRMAN CORY: Okay. Any problems on Item 11 from anyone? Hearing none, it will be approved as presented.

Item 12, City of Stockton.

MR. NORTHROP: Mr. Chairman, 12 and 13.

CHAIRMAN CORY: Twelve and thirteen go together?

MR. NORTHROP: Right. There's 18 and 48-inch diameter outfall siphons. This has been approved by Water Quality.

CHAIRMAN CORY: Anyone here on Items 12 or 13?

Items 12 and 13 will be approved as presented.

Item 14.

MR. NORTHROP: Item 14, the Cramers are asking for a floating boathouse and a walkway for recreational boating, \$100 a year rent.

CHAIRMAN CORY: Anybody here on Item 14? Without objection, it will be approved as presented.

Item 15. This is the time frame that when we delayed action on this, we forgot to change the dates of the contract and are conforming the dates of the contract to our delay.

Is there anyone here who wishes to address themselves on Item 15?

COMMISSIONER BELL: I think it's a reasonable request.

CHAIRMAN CORY: Hearing no one from the audience, without objection, Item 15 will be approved as presented.

Item 16.

MR. NORTHROP: Mr. Chairman, this is assignment of a lease, of a commercial lease, on the Sacramento River from Gies to Reed.

CHAIRMAN CORY: From Henry and Mildred Gies to Paul R. and Mary Reed, Sutter County.

Anyone in the audience who wishes to address themselves to this matter? Hearing no one, without objection,

the item will be approved as presented.

Item 17, assignment from Phillips to The Oil Shale Corporation for their assignee; the industrial leases in Contra Costa County.

Is there anyone in the audience who wishes to address themselves to this item? This is just a normal transfer based upon the sale of Phillips?

MR. NORTHROP: Right. They're not sure how they're going to organize themselves.

CHAIRMAN CORY: Without objection, the item will be approved as presented.

Item 18, again assignment of an industrial lease in Inyo County. Sierra Pacific selling some property currently to Louisiana-Pacific. Is there anyone in the audience who wishes to address themselves to this item? Hearing no one, without objection, the item will be approved as presented.

Item 19. Robert and Mabel Edwards, Steamboat Slough, Sacramento County.

MR. NORTHROP: This is a new lease, a new five-year rental review as is the policy of the Commission. It is a rental increase.

CHAIRMAN CORY: Rental increase. Anyone in the audience who wishes to address themselves to this item? Without objection, the item will be approved as presented.

Item 20.

MR. NORTHROP: Same situation: An annual five-year review of the rental increase for Pacific Light and Power.

CHAIRMAN CORY: Anybody in the audience who wishes to address themselves to this item? Hearing no one, the item will be approved as proposed. Without objection, such will be the order.

We have six, seven --? Is there anyone who wishes to address themselves to any of the items contained in Item 21 on the agenda? Without objection, those six permits to the seven persons will be approved.

MR. NORTHROP: Mr. Chairman, before we start the next section, which is the energy and resources statewide, the Lieutenant Governor has asked that we discuss where we are with Mr. Earb.

Since the last meeting I have had three meetings with -- I've had one meeting with Mr. Zarb and two other meetings with Mr. Zarb's designee who met with us in Los Angeles and San Francisco and we have supplied them some good information. Congressman Hanford complimented the staff and the City of Long Beach for the information submitted, and in a communication to me yesterday he felt that we had a very good chance of obtaining parity for California crude oil based on the fact that if we do not have the production, we're going to lose it.

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The hearing is set for the 22nd in Washington, and I'm told by the staff --

COMMISSIONER DYMALLY: For January?

MR. NORTHROP: Yes, next week. I plan to be there. And we were told we'd have an answer by February 1st. At that rate, I would say our chances are very -- we have a chance to get some additional increase. I'm not as optimistic as others are because I've been here many times before in the last couple of years. However, there is a chance that we will get some increase based on parity.

As far as what's going to happen to crude oil pricing in the 40-month decontrolled period, that will also be handled at that hearing, and we should have some information on that by about the same time.

At the present time the best -- I don't think we can really plan on anymore than we've got in hand right now, and that is 421 for our crude oil. And we probably will lose money because the definition of new oil has been changed, so we now have to go back and find out what really new oil is. Before there was a period in 1972 which was new oil base period. That base period now has been changed to a 1974 base period, so a lot of new oil is going to fall into old oil. And how they're going to handle this problem, I really don't know.

CHAIRMAN CORY: How did this come about?

MR. NORTHROP: Because of the new legislation on releasing crude oil with a \$7.66 national average refinery charge price. And that means we're going to have to readjust a lot of things because we're now a dollar over that.

COMMISSIONER DYMALLY: Could you tell me what has happened to control and decontrol? Where are we now in terms of decontrol, and what effect will it have on the 421, if any?

MR. NORTHROP: Governor, I think at the present time we're in limbo, and I don't think we can plan on it having any effects until February 1st. These hearings on the 22nd will also cover the whole national package as well as ours. Ours is just sandwiched in.

COMMISSIONER DYMALLY: What finally happened on decontrol? I got so confused at the last meeting.

MR. NORTHROP: What they finally did on decontrol was so that the President may start with a base price now of all oil, all domestic oil in the United States that's fed into a refinery will have a base price of \$7.66 a barrel That includes the whole mix of new oil, old oil, and so forth. And the President may increase it ten percent over a 40-month period and not increase it more than ten percent a year. But of the ten percent, only seven of that could be -- no more than seven of that could be from

inflation and three percent for a price increase with the idea that at the end of 40 ths, they would arrive at some kind of formula that would take the price of new oil, new and released oil, reduce it down and try to find a point where at the end of 40 months they would converge.

Now, whether they would do that on a graduated scale or come at 40 months. it would all fall in place, I don't know.

COMMISSIONER DYMALLY: At the end of 40 months would we be decontrolled in Long Beach?

MR. NORTHROP: As it stands right now at the end of 40 months, we would be decontrolled. However, that is not to preclude that. We thought we were decontrolled last year, and they kept adding extensions.

CHAIRMAN CORY: What would happen if we just stopped pumping oil for 40 months?

MR. NORTHROP: Well, the cash flow problem would be traumatic, I suppose, in some areas. In other areas it probably wouldn't be.

CHAIRMAN CORY: It seems like those bonds we ought to be able to sell cheaper than anything else.

What does it do to the field? Do you maintain it?

MR. NORTHROP: New oil, when we get those prices -
CHAIRMAN CORY: No, on the existing oil.

MR. NORTHROP: On the existing oil? Right now

Mr. Thompson, who supervises the Long Beach operation, is 1 2 taking some severe steps to limit expenditures in line with revenue received. It really impinges on the very next 3 item on the agenda as to what to do with two wells that Burmah wants to drill because right now our staff tells us 5 that those wells are marginal. They're not going to be 6 7 moneymakers. COMMISSIONER DYMALLY: Is it possible that within 8 the foreseeable future that we will be decontrolled? 9 MR. NORTHROP: Yes. I would say that we will be 10 able to breathe easier probably within the next year. 11 COMMISSIONER DYMALLY: Why the next year, not 12 40 months? 13 MR. NORTHROP: Because it's going to get better as 14 15 it goes along. In a year we'll be better off than we are 16 today. COMMISSIONER DYMALLY: Between now and the next 17 12 months things will get worse before they get better? 18 MR. NORTHROP: That could very well be it for us 19 because we have some new oil we're going to get reclassified. 20 CHAIRMAN CORY: Okay. Are we ready to proceed 21 22 with Agenda Item 22? MR. NORTHROP: If the members feel that that's a 23 24 confused --

CHAIRMAN CORY:

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It's because you're confused.

obvious, Bill. ı MR. NORTHROP: -- it's because I'm confused on this 2 issue. 3 CHAIRMAN CORY: I can appreciate that. MR. NORTHROP: Fine. 5 CHAIRMAN CORY: 6 Item 22, Burmah Oil and Gas 7 Company. 8 (Laughter.) 9 CHAIRMAN CORY: The Chair will entertain a motion to hire a new Executive Officer. 10 11 (Laughter.) 12 CHAIRMAN CORY: Okay. Burmah Oil and Gas has an application for crude oil, drilling new wells on the 13 14 Huntington Beach Offshore lease. The question in my mind is are we going to make money, are we going to lose money, 15 16 or are we going to break even? 17 MR. NORTHROP: Mr. Everitts, would you like to 18 address that question? 19 MR. EVERITTS: We have reviewed the economics of 20 these wells and on a present worth basis, we conclude that 21 it's nip and tuck whether you make more money waiting for 22 an increase in price due to gravity differential, or 23 whatever, just an increase in price, or whether you proceed 24 to produce the wells right now. These are part of a 25 secondary recovery project, so obviously you have got to get

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them drilled and get them producing ahead of the time you'll get your actual increased production. The way we interpret --

CHAIRMAN CORY: But it's old oil.

MR. EVERITTS: I'm just getting to that point.

The way we interpret the new price regulations it will just barely be new oil.

MR. NORTHROP: We understand the bonus for new oil will not be the bonus that we've enjoyed in the past for new oil. It will be considerably less.

MR. EVERITTS: Yes.

MR. NORTHROP: Even if it was declared new oil.

MR. EVERITTS: If there is an urgency in drilling these wells, it is that the company, the lessee, has a contractor, they have a tight drilling schedule, and they feel that they will have to shut the rig down possibly. There's a possibility to keep going, but if we do not approve these wells, there's a large possibility that they'll have to shut the rig down.

Now, there are some people here from Burmah that may want to comment to that.

CHAIRMAN CORY: Yes.

MR. WOODS: Mr. Chairman, my name is Bill Woods, representing the applicant in this case, Burmah Oil and Gas Company.

What Mr. Everitts says is essentially true. We certainly are not in any disagreement with the State in its objectives for improving the price structure for our crude oil. However, we do have some difficulty in our scheduling process. We are at present in a situation where we have, I believe it's two wells approved by the Commission at this time.

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Our major difficulty at this time is that one of those wells will commence to be drilled probably this week. Completion is scheduled for approximately February 10th. The second of those wells will be completed as a water injection well or as a producer dependent upon the data collected from the production of the first well that has been approved.

So what we really need at this time is to maintain some continuity in our drilling program and in our rig scheduling, is at least one additional well to get us through to approximately March of this year. So we would respectfully request that you at least approve the UJ-264 well at this time so that we may maintain some continuity in our development program.

CHAIRMAN CORY: If you had the 264 well and only that one, that would maintain your continuity?

MR. WOODS: That would maintain our continuity through March long enough to appear back before your

Commission with some other program in the February meeting or after the February 1st date when you may have some further information.

CHAIRMAN CORY: I would prefer to do that if it doesn't cause you undue hardship.

MR. WOODS: That would cause us no hardship so long as we could appear back in February for further approval.

CHAIRMAN CORY: (Without objection, then, we will approve the UJ-264 application and put the others over until the next meeting.

MR. WOODS: Very good. Thank you very much. CHAIRMAN CORY: Thank you.

Item 23.

MR. NORTHROP: Mr. Chairman, this is an item of amendment to a royalty sales contract in which we changed the payment provisions from ten to fifteen days. However, as the Chairman pointed out to staff before the meeting, we may want to look -- before we approve this, we may want to look at the cost of allowing an additional five days for the transmittal of the money.

At the present time the reason for the time lag is this -- is the fact of it's produced from a lease that ARCO owns. It's a lease that ARCO has. The oil is taken by a bonus oil bidder on calculations it's provided by another

company that's taking the oil. So we have a three-company chain transaction, plus our own accounting to get involved in this.

The time frame is about ten days, and they're running right on the edge. They're running almost -- in some cases they're running past the time limit.

CHAIRMAN CORY: The amount of money involved is --?

MR. NORTHROP: It's a considerable amount of

money, sir. It's probably in the area of \$100,000 a month,

and the interest on that at nine percent is \$300 a month.

CHAIRMAN CORY: The question I raised is going to some sort of messenger service as opposed to mail would get our cash in fist quicker; rather than lengthening it at this point, if we can get the money in hand, so full money investment can make money out of it, we might as well be making it as someone else. And looking at the cost of a messenger --

MR. NORTHROP: Mr. Chairman, I would suggest maybe we should put this over for a month and allow us to do a study on the mechanics of how that happens because it's

CHAIRMAN CORY: If we have a regular schedule, the guy can just pick it up on Tuesday morning and take it over to the next place and pick it up Wednesday morning at the next place. We can get our money. If we could collapse it, instead of extending five, if we could save a week's time

or seven days on a hundred thousand, we could keep the doors open on this operation longer.

MR. TAYLOR: Mr. Chairman, I think that this is necessary, not necessarily at today's meeting, but we need these agreements because there has been some ambiguity which has caused a considerable amount of dispute with the operators. And this clarifies an item that came through last month to make some settlements with some people over disputed payment amounts.

So this is an litem which is very important because we're operating on oral agreements which all parties haven't been agreeing as to what the oral understanding was.

CHAIRMAN CORY: Can we approve all in the same time frame?

MR. TAYLOR: I don't know what the effect of putting it over for a month is. I'm just saying that at least at the end of the month we need to have --

MR. NORTHROP: Can I suggest that this be approved for ten days? And then we'll come back for 15 if we can't work it out, if we can't work the mechanics out.

CHAIRMAN CORY: If we can approve the thing. There are some other technical changes or agreements in principle on the contract.

MR. TAYLOR: This is reducing in writing oral agreements which there have been considerable dispute about

and which are giving the staff a tremendous amount of trouble.

CHAIRMAN CORY: Mr. Bell moves that we approve

Item 23 as presented with an amendment of ten days instead

of fifteen days. Governor Dymally seconds it. Without

objection, such will be the order with the understanding that

at the next meeting the question of whether it should be

ten or fifteen days will be presented to the Commission.

Item 24. This is just accepting a quitclaim. Without objection, such will be the order.

Item 25. Again, assignment of a lease. Someone has died and --

MR. FINK: Mr. Chairman, I would like to be heard on an item commenting relative to 24 and, I think, its possible ramifications not only to the State of California, but also to the United States of America and some background as to why this has become unprofitable.

CHAIRMAN CORY: That really is not a concern of this Commission, sir. If you have some reason why we should or should not accept the quitclaim deed these companies wish to extend to us, we will be glad to have your comments on that. But general discussions of economic theory or the economics of the oil industry are not before this Commission.

MR. FINK: I see. The question in my mind being, as I study the printout of the agenda Item Number 24 as to

whether or not the State of California should be taking a position through the Lands Commission of doing what it can to assist, perhaps financially or otherwise, these people who have, because of --

CHAIRMAN CORY: Let me tell you the question before this Commission in Item 24 is whether we should or should not accept the quitclaim deed for a particular parcel which Phillips Petroleum and Exxon wish to give to the State. If you have a specific comment to that, we'll be glad to entertain it. If not, that is not the appropriate time to discuss how we should or should not be assisting the oil industry generally.

MR. FINK: All right. Thank you very much.

CHAIRMAN CORY: If there are specific items of general interest that people should be put on, I would like the staff to look at the questions in terms of how a citizen of California can have an item brought before this Commission; and you might want to discuss that so that we can keep our agenda items relevant to the items here and have open access. But I have problems with using a non-controversial quitclaim --

COMMISSIONER DYMALLY: I have a suggestion. We have a section called Open Forum, and we let the Director of Finance chair that section.

COMMISSIONER BELL: So generous.

(Laughter.)

CHAIRMAN CORY: Item 25, we have the Appleford Estate assigned, I presume, to an heir or something, assignment of an oil and gas lease in the Ellwood Oil Field in Santa Barbara.

Does anyone wish to address themselves to this item? Any questions? Without objection, the assignment will be approved as presented; such will be the order.

Item 26.

MR. NORTHROP: Mr. Chairman, Items 26, 27 and 28 are dredging permits for public benefit.

CHAIRMAN CORY: All public benefit, all public agencies?

MR. NORTHROP: Right.

CHAIRMAN CORY: Is there anybody who wishes to address the Commission on 26, 27, or 28 of our agenda? No problem? Without objection it will be approved as presented to the Commission.

Item 29.

MR. NORTHROP: Mr. Chairman, Item 29 is an approval of a fourth modification. It provides updated production projection and revenue information. And Mr. Thompson's here from the Commission, if you have any questions.

CHAIRMAN CORY: Any question on material presented

to the Commission? Mr. Thompson, anything that wasn't 1 in the oral report or written report? As long as we 2 understand that, we re okay. 3 MR. THOMPSON: Yes. CHAIRMAN CORY: Item 29. Fourth modification 5 6 will be approved as presented; without objection, such will 7 be the order. Item 30, review of the first quarter fiscal 9 year, '75-'76 on Parcel A. MR. NORTHROP: Mr. Chairman, this is substantially 10 as projected by the staff at the time because we did not 11 use any new oil prices. We used the old ones, and we're 12 13 substantially where we are. COMMISSIONER BELL: How is Parcel A doing? 14 MR. NORTHROP: It's not doing well at all. 15 16 CHAIRMAN CORY: Does any action need to be taken 17 on review of Parcel A? 18 Just the fact that it is MR. NORTHROP: No. 19 submitted. 20 CHAIRMAN CORY: All right. On administration of 21 item number 31. MR. NORTHROP: Mr. Chairman, we're embarking on 22 a program with the Federal Government on coastal mapping, 23

and the first phase of this is a tidal survey. Mr. Trout's

section is working on that. Perhaps he would care to

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comment.

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MR. TROUT: The important provisions relating to the State boundaries is that they relate to the location of the various tidal plains. Our boundary with upland property owners or Pacific Ocean and tidal waterways is the mean high water line. Our offshore boundary with the United States is three miles from the mean low, or low water. There are only a very few primary tide stations in California that are maintained continually by the United States. In between we have to interpolate.

This program would allow both the United States and us to determine at many intermediate stations the various tidal plains. Following that, the National Ocean Survey would make aerial photographs of the coastal zone of California, and then these lines would ultimately be plotted on that area, on those photographs. This is an opportunity for the State to have available to it a considerable amount of information in cost-sharing programs.

This calendar item primarily is to approve a contract with the United States National Ocean Survey.

COMMISSIONER BELL: We can legally use this for the definition of what the money was appropriated for?

MR. TROUT: Yes.

COMMISSIONER BELL: Because it was only for matching or something for the Federal Government on this.

That's correct. MR. TROUT: CHAIRMAN CORY: It's just going to happen five 2 years from now instead of now. 3 COMMISSIONER DYMALLY: No objection. CHAIRMAN CORY: Without objection, the program 5 is approved as presented. 6 Thirty-two, our budget proposal. 7 MR. NORTHROP: Mr. Chairman, there has been no 8 increase in budget this year save the funds that were added 9 to the budget to maintain Item 31 we just discussed. And it 10 might be noted here that we will probably --11 CHAIRMAN CORY: It's not Department of Finance's 12 It's the Commission's staff land division budget. 13 MR. NORTHROP: Mr. Bell has helped us very much 14 in putting this together. 15 CHAIRMAN CORY: He's shocked and dismayed at the 16 amount. 17 MR. NORTHROP: But I think we should point out 18 it's only five percent of the money the revenue will 19 20 generate. COMMISSIONER BELL: We'll hold you to that. 21 MR. NORTHROP: I think maybe this year we can 22 live with it, but don't try next year. 23 CHAIRMAN CORY: Then it has been through the 24 25 Department of Finance?

MR. NORTHROP: Yes. 2 CHAIRMAN CORY: Item 33, authorization to 3 execute a contract with Berkeley Lab on geothermal exploration. 5 MR. NORTHROP: Mr. Chairman, that's been before 6 you before. The concept of a program to work on a 7 geothermal gradient survey in some of the lakes in 8 California to see if they have some potential. We brought 9 this to you before. This is the finalization of the 10 contract. 11 CHAIRMAN CORY: Any questions? COMMISSIONER BELL: Where does the money come 12 13 from originally? 14 MR. NORTHROP: The money comes from ERDA. MR. EVERITTS: FEA. 15 16 COMMISSIONER BELL: It's FEA, not ERDA. 17 CHAIRMAN CORY: Any comments from anybody from 18 the audience on Item 33? Without objection, Item 33, 19 authorization is granted without objection. 20 Item 34, authorization to institute litigation. 21 COMMISSIONER DYMALLY: I'd like to hear some 22 comment on this item from staff. 23 MR. HIGHT: Yes, Mr. Governor. In 1873 the 24 State --25 COMMISSIONER DYMALLY: I don't mean that far.

CHANTRMAN CORY: It's very interesting.

MR. HIGHT: In 1873, the State sold a parcel of land on a conditional sales contract, in effect, as the applicant was to make a series of payments, and at the end when he paid his final payment, he would receive the deed. He didn't make the final payment of about \$5.80, give or take a little, and we still have the deed, and it is the State's contention it is our land.

CHAIRMAN CORY: If you give a little, it's the entire amount, but go ahead.

MR. HIGHT: I might point out to you that the original purchase price was \$30. So we're asking here for authorization to clear the State's title in this matter.

COMMISSIONER DYMALLY: But are we giving him an option to appear here?

MR. TAYLOR: I think his time by statute has expired for that.

CHAIRMAN CORY: There is one other item that is somewhat intriguing about this. Some enterprising person recently apparently went and got a copy of the deed that hadn't been turned over and went ahead and recorded it.

MR. TAYLOR: Some years ago the treasury held deeds and the treasury -- someone in the treasury office was requested to give a true copy of the one on file, but it's our position there has been no delivery of the deed and

1 that all they have is a picture of the true copy of the 2 deed on file in the treasury office which has now been 3 transferred to the vault of the State Lands Commission. COMMISSIONER DYMALLY: So we have the deed. 5 MR. HIGHT: We have the original deed. 6 COMMISSIONER DYMALLY: Do the owners know we're 7 taking action on that? 8 MR. HIGHT: Yes. COMMISSIONER DYMALLY: And what has been their 10 response? 11 MR. HIGHT: I think it's their opinion they own the land, and they're willing to fight us for it. 12 13 MR. TAYLOR: Their response is also that 14 litigation would be an appropriate way to settle it. 15 CHAIRMAN CORY: Would be an appropriate way, not 16 inappropriate? 17 MR. TAYLOR: An appropriate, yes. 18 COMMISSIONER DYMALLY: Has he known about this 19 for some time? 20 MR. HIGHT: Yes. There have been conversations 21 with the division over a number of years about this matter. 22 COMMISSIONER DYMALLY: And he wants to rise above 23 payment and stick to principle, right? 24 MR. HIGHT: Right. 25 CHAIRMAN CORY: Who issued the title policy?

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MR. TAYLOR: There is a problem in that regard. ١ I don't know. 2 3 CHAIRMAN CORY: From what I read in the paper, I 4 hope it's not TI. They may not cash the checks fast enough. COMMISSIONER DYMALLY: What if the person had 5 admitted that they did not have clear title. Would we then 6 have given them an opportunity to pay 7 MR. TAYLOR: No. I don't think that he can pay. 8 The statute, the time period for payment has expired. 9 The other problem is that there's two ways to go. 10 One of them is that there's another area where the same 11 patent applies where it was a no-prejudice lease. We leased 12 it to him for 49 years, but that just really postpones the 13 problem for 49 years and it was thought by staff counsel that 14 this is a matter that ought to be resolved now while 15 everybody remembers what the facts are. 17 CHAIRMAN CORY: I mean, another hundred years go by and we might get foggy. 18 19 (Laughter.) 20 COMMISSIONER DYMALLY: If it's resolved in our favor, would we then -21 22 MR. HIGHT: We could lease it to him. MR. TROUT: We've offered to lease it to him for 23 a substantial period of time. 24

CHAIRMAN CORY: Without objection -- is there

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anyone who wishes to discuss Item 34 with the Commission? Without objection, authorization will be granted. Such will be the order.

Item 35.

MR. NORTHROP: Mr. Chairman, Counsel and the Attorney General inform me there have been no significant changes in the current litigation.

CHAIRMAN CORY: Item 36, approval of contract for the City of Long Beach under Chapter 138.

MR. NORTHROP: Yes.

CHAIRMAN CORY: This is litigation that we have discussed, I believe, on numerous occasions.

COMMISSIONER BELL: I recommend approval.

CHAIRMAN CORY: Without objection, such will be the order. Thirty-six is approved as presented.

Item 37, dredging permits for the State of California, Office of Architecture and California Maritime Academy.

COMMISSIONER DYMALLY: Mr. Chairman, somehow I ended up as a member of the Board of Advisors, one of the 50 commissions on which I serve.

COMMISSIONER BELL: And this is how it got on the agenda.

CHAIRMAN CORY: I don't know how that operation is now, but will they let you in?

(Laughter.)

COMMISSIONER DYMALLY: They've invited me.

CHAIRMAN CORY: Have they cleaned up their act any? Only because they're lesting you on the property.

Will they let you physically on the property now?

COMMISSIONER DYMALLY: Yes, but not on the ship.

(Laughter.)

CHAIRMAN CORY: Item 37, unless there's some objection will be approved as presented.

Is there any other item to come before this Commission? If not, we stand adjourned. The meeting day has been confirmed for February 26th at 10:00 a.m. (Thereupon the meeting was adjourned.)

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State of California County of Yolo

I, ANITA VAN WEBB, a Notary Public in and for the County of Yolo, State of California, duly appointed and commissioned to administer oaths, do hereby certify:

That I am a disinterested person herein; that the foregoing California State Lands Commission Meeting was reported in shorthand by me, Anita Van Webb, a qualified shorthand reporter of the State of California, and thereafter transcribed into typewriting.

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

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office this 13th day of February, 1976

Andta

Notary Public in and for the County

of Yolo, State of California



OFFICIAL SEAL ANITA VAN WEBB NOTARY PUBLIC - CALIFORNIA Principal Office in YOLO County My Commission Expires Jan. 29, 1980

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